

CARLETON COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

**CARLETON COLLEGE
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YEARS ENDED JUNE 30, 2015 AND 2014**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Carleton College
Northfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Carleton College, which comprise the balance sheets as of June 30, 2015 and 2014, and the related statements of activities and change in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carleton College as of June 30, 2015 and 2014, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The expanded balance sheets and the expanded statements of activities and change in net assets, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the financial statements and, accordingly we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
September 17, 2015

**CARLETON COLLEGE
BALANCE SHEETS
JUNE 30, 2015 AND 2014**

ASSETS	2015	2014
Cash and Cash Equivalents	\$ 41,525,089	\$ 33,898,231
Receivables, Net:		
Contributions	3,711,275	5,023,195
Government	630,477	890,381
Other	1,200,691	973,766
Inventories and Prepaid Expenses	2,763,495	2,550,924
Loans to Students	8,035,438	7,835,348
Deposits with Bond Trustee	426,850	433,682
Trusts Held by Others	11,806,913	11,492,258
Investments	905,705,144	903,116,678
Property, Plant, and Equipment, Net of Depreciation	190,739,885	192,340,374
	\$ 1,166,545,257	\$ 1,158,554,837
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 3,718,520	\$ 3,021,965
Accrued Expenses	8,979,323	7,946,549
Deferred Income and Deposits	4,584,214	4,060,330
Annuities Payable	23,717,939	24,063,062
Asset Retirement Obligation	1,109,628	2,628,955
Fair Value of Interest Rate SWAP	1,197,690	1,601,492
Bonds Payable, Net	86,258,511	90,023,990
Refundable Government Grants for Student Loans	4,912,110	5,234,797
Total Liabilities	134,477,935	138,581,140
NET ASSETS		
Unrestricted:		
Operations	34,732,261	30,733,053
Student Loan Funds	3,963,965	3,604,921
Net Investment in Plant	143,011,335	132,366,568
Funds Functioning as Endowment	264,643,263	266,917,000
Total Unrestricted Net Assets	446,350,824	433,621,542
Temporarily Restricted:		
Operations	28,035,824	23,104,034
Plant Funds	557,677	1,128,859
Funds Functioning as Endowments	329,449,818	342,346,198
Split Interest Funds	25,359,561	22,057,909
Total Temporarily Restricted Net Assets	383,402,880	388,637,000
Permanently Restricted:		
True Endowments	190,597,279	185,044,979
Split Interest Funds	11,716,339	12,670,176
Total Permanently Restricted Net Assets	202,313,618	197,715,155
Total Net Assets	1,032,067,322	1,019,973,697
Total Liabilities and Net Assets	\$ 1,166,545,257	\$ 1,158,554,837

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 96,959,532	\$ -	\$ -	\$ 96,959,532	\$ 93,220,041	\$ -	\$ -	\$ 93,220,041
Room and Board	21,001,728	-	-	21,001,728	20,094,329	-	-	20,094,329
Scholarships	(35,018,615)	-	-	(35,018,615)	(33,983,589)	-	-	(33,983,589)
Net Student Fees	82,942,645	-	-	82,942,645	79,330,781	-	-	79,330,781
Private Gifts and Pledges	11,471,513	13,061,382	4,815,953	29,348,848	12,531,529	4,285,250	7,040,347	23,857,126
Government Grants and Contracts	595,070	4,208,235	-	4,803,305	567,295	3,468,880	-	4,036,175
Interest and Dividends	1,845,976	3,364,992	-	5,210,968	1,518,103	2,817,829	-	4,335,932
Net Realized Gain	15,887,826	25,904,236	-	41,792,062	19,392,977	35,737,709	-	55,130,686
Net Unrealized Gain (Loss)	(9,814,320)	(19,021,584)	-	(28,835,904)	20,083,469	43,038,308	-	63,121,777
Unrealized Gain on Interest Rate SWAP	403,802	-	-	403,802	450,221	-	-	450,221
Net Change in Annuity & Life Income Funds	-	(114,130)	(953,837)	(1,067,967)	-	(2,549,889)	(525,092)	(3,074,981)
Bookstore, Rents and Other	4,676,262	510,404	-	5,186,666	5,296,265	513,517	-	5,809,782
Subtotal Revenue	108,008,774	27,913,535	3,862,116	139,784,425	139,170,640	87,311,604	6,515,255	232,997,499
Fund Transfers	2,521,011	(3,257,358)	736,347	-	4,548,007	(7,336,509)	2,788,502	-
Net Assets Released from Restrictions	29,890,297	(29,890,297)	-	-	36,213,159	(36,213,159)	-	-
Total Revenues and Other Additions	140,420,082	(5,234,120)	4,598,463	139,784,425	179,931,806	43,761,936	9,303,757	232,997,499
EXPENSES								
Instruction	54,948,280	-	-	54,948,280	53,683,354	-	-	53,683,354
Research	4,210,264	-	-	4,210,264	3,458,001	-	-	3,458,001
Academic Support:								
Library	5,890,530	-	-	5,890,530	5,978,195	-	-	5,978,195
Other	11,157,596	-	-	11,157,596	9,538,939	-	-	9,538,939
Student Services	15,232,829	-	-	15,232,829	15,112,091	-	-	15,112,091
Institutional Support:								
Administration	5,807,306	-	-	5,807,306	5,688,719	-	-	5,688,719
External Relations	3,511,364	-	-	3,511,364	3,451,907	-	-	3,451,907
Fund Raising	4,974,391	-	-	4,974,391	4,451,410	-	-	4,451,410
General	3,499,954	-	-	3,499,954	4,360,773	-	-	4,360,773
Auxiliary Enterprises	18,458,286	-	-	18,458,286	19,050,076	-	-	19,050,076
Total Expenses	127,690,800	-	-	127,690,800	124,773,465	-	-	124,773,465
CHANGE IN NET ASSETS	12,729,282	(5,234,120)	4,598,463	12,093,625	55,158,341	43,761,936	9,303,757	108,224,034
Net Assets - Beginning of Year	433,621,542	388,637,000	197,715,155	1,019,973,697	378,463,201	344,875,064	188,411,398	911,749,663
NET ASSETS - END OF YEAR	<u>\$ 446,350,824</u>	<u>\$ 383,402,880</u>	<u>\$ 202,313,618</u>	<u>\$ 1,032,067,322</u>	<u>\$ 433,621,542</u>	<u>\$ 388,637,000</u>	<u>\$ 197,715,155</u>	<u>\$ 1,019,973,697</u>

See accompanying Notes to Financial Statements.

**CARLETON COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 12,093,625	\$ 108,224,034
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation, Amortization and Accretion	10,527,326	10,614,735
Net Realized and Unrealized Gain	(12,956,158)	(118,252,463)
Private Gifts for Long-Term Investments	(12,752,158)	(10,387,043)
Change in Value of Annuities and Life Income Trusts	2,626,249	3,395,076
Change in Value of Trusts Held by Others	(314,655)	(1,155,292)
Change in Value of Interest Rate SWAP	(403,802)	(450,221)
Loss on Disposal of Property, Plant and Equipment	44,573	8,689
Noncash Donations of Property, Plant and Equipment	(84,000)	(76,000)
Change in Unamortized Bond Origination Costs and Discount	(20,479)	(20,478)
Change in Asset Retirement Obligation	(1,519,327)	49,481
Effect of Changes in Operating Assets and Liabilities:		
Receivable, Net - Contributions	1,311,920	9,637,569
Receivable, Net - Government	259,904	19,296
Receivable, Net - Other	(226,925)	51,864
Inventories and Prepaid Expenses	(212,571)	(483,903)
Loans to Students	(200,090)	(185,784)
Accounts Payable	696,555	493,599
Accrued Expenses	1,032,774	(138,115)
Deferred Income and Deposits	523,884	(722,426)
Refundable Government Grants for Student Loans	(322,687)	(102,614)
Net Cash Provided by Operating Activities	103,958	520,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(31,655,976)	(29,981,369)
Proceeds from Sale of Investments	42,023,668	37,814,601
Proceeds from Property, Plant, and Equipment Insurance Recoveries	312,473	-
Acquisition of Property, Plant, and Equipment	(9,199,883)	(9,280,708)
Net Cash Provided (Used) by Investing Activities	1,480,282	(1,447,476)
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in Deposits with Bond Trustee	6,832	7,643
Proceeds from Private Gifts for Long-Term Investment	12,752,158	10,387,043
Payments to Annuitants	(2,971,372)	(2,954,215)
Principal Payments	(3,745,000)	(3,645,000)
Net Cash Provided by Financing Activities	6,042,618	3,795,471
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,626,858	2,867,999
Cash and Cash Equivalent - Beginning of Year	33,898,231	31,030,232
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 41,525,089	\$ 33,898,231
SUPPLEMENTAL INFORMATION		
Interest Paid, Net of Interest Capitalized	\$ 2,802,067	\$ 2,918,481
Property, Plant and Equipment in Accounts Payable	\$ 1,573,723	\$ 1,048,892

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1866, Carleton College is a co-educational, residential liberal arts college, located in Northfield, Minnesota. Carleton attracts a diverse student body and a distinguished faculty whose priority is teaching with a commitment to the liberal arts. Carleton is a national college enrolling approximately 2,000 students drawn from nearly all 50 states and 35 different countries. Carleton offers a four-year baccalaureate degree, with 33 majors and 15 concentrations in the arts, humanities, natural sciences, and social sciences, preparing its graduates for leadership positions in their communities, countries and the world.

Accrual Basis

The financial statements of Carleton College (the College) have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as unrestricted, temporarily restricted, or permanently restricted. Further explanation is as follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the board of trustees.

Temporarily Restricted – Net assets whose use by the College is subject to donor-imposed restrictions that can be fulfilled by actions of the College pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets subject to donor-imposed restrictions that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all of, or part of, the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless use of the revenue is restricted by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is defined by donor-imposed restrictions.

Temporarily restricted net assets for which donor-imposed restrictions are met in the current period are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Periodically donor restrictions related to net assets may be clarified or changed, such changes are reflected as fund transfers at the time they are identified.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with a maturity at time of purchase of less than three months. The amounts on hand may at times exceed the federally insured limit defined by the FDIC.

Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates ranging from approximately .11% to 4.87% depending on the year of pledge inception. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fundraising activity. For the years ended June 30, 2015 and 2014, the College had an allowance of \$100,000.

Other Receivables and Loans to Students

Receivables are stated at net realizable value. Based on management's experience and analysis of individual accounts past due, the allowance for uncollectible accounts was \$185,000 and \$260,000 for the years ended June 30, 2015 and 2014, respectively. The allowance is evaluated annually.

Investments

Investments in publicly traded securities are stated at quoted market value. Other investments, for which no such quoted market values or valuations are readily available, are carried at fair value as estimated by management using quarterly valuations provided by external investment managers. Changes in quoted market value are recorded as unrealized gains or losses in the period of change.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that change in the values will occur in the near term and that such changes could materially affect the financial statements.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. The College capitalizes expenditures greater than \$10,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets:

		Original Cost <u>2015</u>
Land	No Depreciation	\$ 3,785,203
Land Improvements	30 Years	762,506
Buildings and Building Improvements	20 - 40 Years	256,596,481
Library Books	10 Years	34,859,687
Equipment and Vehicles	3 - 5 Years	50,875,966
Construction in Progress	No Depreciation	<u>2,637,679</u>
Total Original Cost		<u><u>\$ 349,517,522</u></u>

Inventories

Inventories consist primarily of print center paper supplies, facility storeroom supplies and steam plant fuel oil reserves for the back-up generators. Inventories are stated at the lower of cost, determined by the first-in, first-out method, or market.

Deposits with Bond Trustee

Deposits with bond trustee include amounts restricted for bond principal and interest payments.

Deferred Income and Deposits

The College records cash received for future services as deferred revenue. This revenue is recognized when services are provided. Deferred revenue consists primarily of unearned tuition.

Planned Gift Split-Interest Agreements

The College records three types of planned gift split-interest agreements.

When the College serves as trustee, annuities payable represent the College's liability under annuity contracts with donors and irrevocable charitable remainder trusts. Specific contract terms vary by donor. The liability is established at the time of the contribution using life expectancy actuarial tables and discount rates and is revalued annually; referencing the 2000CM life expectancy tables. Actual gains and losses resulting from the annual revaluation of annuity obligations are reflected as temporarily or permanently restricted, consistent with the method used to initially record the contributions. The basis used to recognize the asset is fair value.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Planned Gift Split-Interest Agreements (Continued)

When the College does not serve as trustee for an irrevocable charitable remainder trust, the College records its beneficial interest in those assets as contribution revenue and funds held in trust by others at the present value of the expected future cash inflows. Such trusts are recorded at the date the College has been notified of the trust's existence and sufficient information regarding the trust has been accumulated to form the basis for a valuation. Changes in the value of these assets related to the amortization of the discount or revisions in the income beneficiary's life expectancy are recorded as gains or losses of either temporarily or permanently restricted net assets. The value of the College's interest in these trusts is included in trusts held by others on the balance sheet.

The College is also the beneficiary of certain perpetual trusts held and administered by others. The present value of the estimated future cash receipts from the trust are recognized as contribution revenue and funds held in trust by others at the date the College is notified of the establishment of the trust and sufficient information regarding the value of the trust has been provided to the College. Annual distributions from the trusts are recorded as investment income in the period they are received. Changes in fair value of the trusts are recorded as financial capital gains or losses of permanently restricted net assets. The value of the College's interest in the trusts is included in trusts held by others on the balance sheet.

Advertising Expense

Advertising expense is expensed as incurred. Advertising expense for the years ended June 30, 2015 and 2014 was \$86,468 and \$75,881, respectively.

Asset Retirement Obligation

Financial accounting standards require the College to accrue for the present value of future estimated costs to remediate asbestos environmental hazards related to property owned by the College. The College has estimated the cost of potential obligations and applied a future value rate assumption of 3% and a present value risk-free rate of 5% to determine the potential liability. Conditional asset retirement obligations reported within liabilities in the balance sheets as of June 30, 2015 and 2014 were \$1,109,628 and \$2,628,955, respectively.

Income Taxes

The College qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. The College is subject to federal income tax only on net unrelated business income under the provisions of Section 501(c)(3) of the Internal Revenue Code. The College has evaluated its tax positions and determined it has no uncertain tax positions and has recorded no obligation for unrelated business income tax. No provisions for federal or state income taxes are required as of June 30, 2015.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts appearing in the 2014 financial statements have been reclassified to conform with the 2015 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Expenses

The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). During the year expenses are directly coded to program (instruction, research, academic support, student services, and auxiliary enterprises) or support services (institutional support) whenever possible. Expenses which are not directly identifiable by program or support service are allocated based on the best estimates of management.

Refundable Government Grants for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program are loaned to qualified students and may be re-loaned after collection. If the College were to terminate the Federal Perkins Loan Program, these funds would be refundable to the government and, therefore, are included in other long-term liabilities.

Fair Value Measurements

The College categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities with values based on unadjusted quoted prices in active markets for identical assets that the College is able to access on the date of valuation. Level 1 investments include common stocks and bonds publicly listed on market exchanges with daily prices and trading activity, listed derivatives, most U.S. Government and agency securities and mutual funds with daily NAV reporting.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 2 – Financial assets and liabilities with values based on quoted broker prices in markets, less active than Level 1, but with activity within a reasonable time period around the valuation date or where significantly all inputs are observable, either directly or indirectly. Level 2 investments include thinly traded securities and private investments in publicly traded companies and commingled funds with documented transactions on the reporting date at an established NAV.

Level 3 – Financial assets and liabilities with unobservable inputs, in illiquid markets that rely on assumptions and estimates about pricing derived from available information. Level 3 investments include private equity, private real estate partnerships, and other illiquid securities with little if any regular market activity.

The College classifies investments as Level 2 assets if it has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Fair value measurements of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2015:

<u>Investment Category</u>	<u>NAV</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Public Equity: Long-Only Equity	\$ 24,888,019	Monthly	6 Days
Fixed Income	9,883,228	Monthly	10 Days
Hedge Funds: Long/Short Credit	20,852,074	Monthly	65 Days
Hedge Funds: Multi Strategy	54,459,445	Quarterly	65 Days

Fair value measurement of investments in certain entities that calculate net asset value per share (or its equivalent) as of June 30, 2014:

<u>Investment Category</u>	<u>NAV</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fixed Income	\$ 26,488,761	Monthly	10 Days
Hedge Funds: Long/Short Credit	21,324,608	Monthly	65 Days
Real Assets: Public Inflation Hedge	17,726,234	Monthly	10 Days
Hedge Funds: Multi Strategy	52,615,761	Quarterly	65 Days
Public Equity: Long-Only Equity	27,758,153	Quarterly	30 Days
Hedge Funds: Long/Short Equity	15,514,231	Annually	80 Days
Public Equity: Long-Biased Equity	31,450,902	Annually	60 Days

Public Equity: Long-Only Equity Funds primarily invest in equities, commodities, and inflation-linked bonds to provide strong relative performance during periods of rising inflation. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund.

Fixed Income Investments include global sovereign debt. The fair value of the investment in this category is based on quoted market prices for the underlying securities which comprise the net asset value of the collective fund. The funds provide full disclosure of the underlying holdings, whereby the College is able to verify its account balances.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Hedge Funds: Long/Short Credit primarily invest in distressed and performing debt, but hedge their long positions to varying degrees by shorting credit securities believed to be overvalued. The fair value of the hedge fund in this category has been estimated using the net asset value per share of the investments.

Hedge Funds: Multi-Strategy allocate capital across several discrete strategies based upon their judgment of the relative attractiveness of each strategy. Strategies could include but are not limited to: equities, distressed and performing debt, merger arbitrage, and capital structure arbitrage. The fair value of the fund of hedge funds in this category has been estimated using the net asset value per share of the investments.

Hedge Funds: Long-Only/Short Equity primarily invest in equities, but hedge their long positions to varying degrees by shorting credit securities believed to be overvalued. The fair value of the investment in this category has been estimated using the net asset value per share of the investments.

For additional information on how the College measures fair value refer to Note 2 – Investments and Financial instruments measured at fair value.

Endowment

The Carleton Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gifts as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Endowment funds include unrestricted, temporarily restricted and permanently restricted net assets. Endowment net assets classified as unrestricted include funds designated by the board of trustees for the long-term support of the College, including any accumulated income and appreciation thereon. Temporarily restricted endowment net assets include accumulated appreciation on donor-restricted endowment funds, as well as donor-restricted, spendable gifts designated for long-term support of the College. Permanently restricted endowment net assets include those funds designated by donors to be invested in perpetuity to provide a permanent source of income.

The College has established an endowment spending policy used to determine an annual spending dividend. Total spending is equal to 70% of prior year spending increased by 2%; plus 30% of 5% of the 12 quarter average market value of the endowment as of the prior June 30; banded by not more than 5.75% or less than 3.75% of the market value of the endowment for the period ending June 30 prior to the start of the fiscal year.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through September 17, 2015, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present investments and financial instruments carried at fair value according to the valuation hierarchy defined in Note 1 as of June 30, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 14,160,785	\$ -	\$ -	\$ 14,160,785
Fixed Income	35,342,142	9,883,228	-	45,225,370
Public Equities	189,079,129	24,888,019	90,474,620	304,441,768
Private Equity	-	-	135,156,785	135,156,785
Hedge Funds	-	75,311,518	192,168,897	267,480,415
Real Estate and Other Real Assets	-	-	79,152,719	79,152,719
Planned Gift Agreements and Other	1,613,599	5,025,898	53,447,805	60,087,302
Total Investments	<u>240,195,655</u>	<u>115,108,663</u>	<u>550,400,826</u>	<u>905,705,144</u>
Trusts Held by Others	-	-	11,806,913	11,806,913
Total	<u>\$ 240,195,655</u>	<u>\$ 115,108,663</u>	<u>\$ 562,207,739</u>	<u>\$ 917,512,057</u>

	2014			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 33,854,768	\$ -	\$ -	\$ 33,854,768
Fixed Income	33,049,799	26,488,761	-	59,538,560
Public Equities	201,945,152	59,209,055	-	261,154,207
Private Equity	-	-	135,909,683	135,909,683
Hedge Funds	-	89,454,601	174,030,019	263,484,620
Real Assets	-	17,726,234	72,363,504	90,089,738
Planned Gift Agreements and Other	1,692,032	1,995,823	55,397,247	59,085,102
Total Investments	<u>270,541,751</u>	<u>194,874,474</u>	<u>437,700,453</u>	<u>903,116,678</u>
Trusts Held by Others	-	-	11,492,258	11,492,258
Total	<u>\$ 270,541,751</u>	<u>\$ 194,874,474</u>	<u>\$ 449,192,711</u>	<u>\$ 914,608,936</u>

Liabilities measured at fair value on a recurring basis as of June 30, 2015 and 2014:

	2015			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	<u>\$ -</u>	<u>\$ 1,197,690</u>	<u>\$ -</u>	<u>\$ 1,197,690</u>

	2014			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	<u>\$ -</u>	<u>\$ 1,601,492</u>	<u>\$ -</u>	<u>\$ 1,601,492</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

**NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE
(CONTINUED)**

Fair value for Level 1 is based upon quoted prices in active markets. The College has the ability to access pricing for identical assets and liabilities and reconcile with pricing received from managers. Market price data is generally obtained from exchange or dealer markets. The College does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model - based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. In addition, commingled and other funds with documented transactions on the reporting date at an established NAV are characterized as Level 2. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

Investments included in Level 3 primarily consist of the College's ownership in alternative investments (principally limited partnership interests in hedge funds, private equity, real assets, and other similar funds). The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. The fair values (NAV) of securities held in limited partnership that do not have observable inputs are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Management has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2015.

The majority of private capital investments are carried at the estimated fair value provided by the general partners of these investment partnerships or funds as of March 31, 2015 and 2014, adjusted for cash and securities distributions as well as capital contributions. The College believes that the carrying amount of its private capital investments is a reasonable estimate of fair value as of June 30, 2015 and 2014. Because private capital investments are not publicly traded and are expected to be held for several years, the estimated value is subject to uncertainty.

Interest rate swap agreements are classified as Level 2 as they are valued based on active market inputs. The College has the right to terminate the swap agreement at any time, at a commercially reasonable amount at the measurement date.

Trusts held by others are valued at the present value of the future distributions expected to be received by the college over the term of the agreement; essentially equivalent to the market value of the college share of the trust as provided by the trust administrator.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

**NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE
(CONTINUED)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the College believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables are a roll forward of the balance sheet amounts for financial instruments classified by the College within Level 3 of the fair value hierarchy defined above.

Level 3 assets are as follows:

	Public Equities	Private Equity	Hedge Funds	Real Estate and Other Real Assets	Planned Gift Agreements and Other	Total Investments	Trusts Held by Others	Total
Balances as of July 1, 2014	\$ -	\$ 135,909,683	\$ 174,030,019	\$ 72,363,504	\$ 55,397,247	\$ 437,700,453	\$ 11,492,258	\$ 449,192,711
Realized Gain	1,869	17,794,445	3,005,823	3,178,872	1,722,704	25,703,713	425,618	26,129,331
Unrealized Gain	6,369,242	(4,062,229)	(8,520,359)	(612,292)	(2,338,264)	(9,163,902)	(757,100)	(9,921,002)
Investment Income	(105,546)	2,245,697	(486,006)	2,444,001	1,080,776	5,178,922	287,715	5,466,637
New Investments and Capital Calls	25,000,000	17,151,967	17,500,000	23,661,003	3,297,836	86,610,806	605,465	87,216,271
Redemptions	-	(33,882,778)	(8,874,811)	(21,882,369)	(5,712,494)	(70,352,452)	(247,043)	(70,599,495)
Balances as of June 30, 2015	31,265,565	135,156,785	176,654,666	79,152,719	53,447,805	475,677,540	11,806,913	487,484,453
Reclassified to Level 3 from Level 2	59,209,055	-	15,514,231	-	-	74,723,286	-	74,723,286
Balances as of June 30, 2015	\$ 90,474,620	\$ 135,156,785	\$ 192,168,897	\$ 79,152,719	\$ 53,447,805	\$ 550,400,826	\$ 11,806,913	\$ 562,207,739

	Public Equities	Private Equity	Hedge Funds	Real Estate and Other Real Assets	Planned Gift Agreements and Other	Total Investments	Trusts Held by Others	Total
Balances as of July 1, 2013	\$ 24,643,473	\$ 125,618,878	\$ 155,361,753	\$ 56,002,953	\$ 51,319,140	\$ 412,946,197	\$ 10,336,966	\$ 423,283,163
Realized Gain	10,727,491	12,750,006	7,369,756	4,186,803	712,698	35,746,754	27,342	35,774,096
Unrealized Gain (Loss)	1,369,920	7,516,279	17,551,831	3,948,347	6,909,517	37,295,894	1,160,908	38,456,802
Investment Income	-	3,701,716	(370,340)	69,769	986,956	4,388,101	196,238	4,584,339
New Investments and Capital Calls	-	11,084,268	15,000,000	24,880,977	833,549	51,798,794	-	51,798,794
Redemptions	(36,740,884)	(30,505,190)	(20,882,981)	(11,372,605)	(5,364,613)	(104,866,273)	(229,196)	(105,095,469)
Balances as of June 30, 2014	-	130,165,957	174,030,019	77,716,244	55,397,247	437,309,467	11,492,258	448,801,725
Reclassified to Public Equity	-	5,352,740	-	(5,352,740)	-	-	-	-
Reclassified to Level 1	-	390,986	-	-	-	390,986	-	390,986
Balances as of June 30, 2014	\$ -	\$ 135,909,683	\$ 174,030,019	\$ 72,363,504	\$ 55,397,247	\$ 437,700,453	\$ 11,492,258	\$ 449,192,711

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying statement of activities and change in net assets. Net unrealized gains (losses) relate to those financial instruments held by the College at June 30, 2015 and 2014.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

**NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE
(CONTINUED)**

At June 30, 2015 and 2014, the College had outstanding commitments of \$143,489,994 and \$99,242,163, respectively, to private capital investments that have not yet been drawn down by the general partners of these funds. Typically, committed capital is drawn down and invested over a several year period. In the past, draw downs on outstanding commitments have been funded by distributions from the private capital portfolio, as well as cash and other liquid investments.

At June 30, 2015 and 2014, the College had \$15,125,546 and \$15,673,680, respectively, invested with hedge fund investments which utilized side pockets within their portfolio of investments. Side pockets are segregated accounts used by hedge funds to hold illiquid investments.

The College holds mortgages on residences of eligible faculty and staff members that amounted to \$955,634 and \$925,559 as of June 30, 2015 and 2014, respectively. The average interest rate on the mortgages for the years ended June 30, 2015 and 2014 was 5.15%.

Investment expense totaled \$7,472,534 and \$6,973,001 for the years ended June 30, 2015 and 2014, respectively, and is netted with investment income.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment as of June 30, 2015 and 2014 are as follows:

	2015	2014
Land	\$ 3,785,203	\$ 3,785,203
Land Improvements	762,506	658,646
Buildings and Building Improvements	256,596,481	253,524,489
Library Books	34,859,687	35,203,033
Equipment and Vehicles	50,875,966	50,328,812
Construction in Progress:		
Residence Hall Renovations	471,497	497,660
Academic Building Renovations	1,572,332	274,181
Other	593,850	393,030
	349,517,522	344,665,054
Less: Accumulated Depreciation	(158,777,637)	(152,324,680)
Total	\$ 190,739,885	\$ 192,340,374

No interest costs were capitalized in 2015 or 2014.

Total depreciation expense as of June 30, 2015 and 2014 was \$10,527,326 and \$10,612,735, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The College has capitalized collections received of \$84,000 and \$76,000 for the years ended June 30, 2015 and 2014, respectively. These collection items are valued at fair market value at the date of donation and are not depreciated.

NOTE 4 BONDS PAYABLE

Bonds payable at June 30, 2015 and 2014 are as follows:

	2015	2014
Minnesota Higher Education Facilities Authority (MHEFA):		
Revenue Bonds Series 5G	\$ 23,000,000	\$ 23,000,000
Revenue Bonds Series 6D	17,770,000	20,465,000
Revenue Bonds Series 6T	17,390,000	17,815,000
Revenue Bonds Series 7D	28,030,000	28,655,000
	86,190,000	89,935,000
Less: Unamortized Origination Costs	(745,784)	(782,148)
Unamortized Premium	814,295	871,138
Total Net	\$ 86,258,511	\$ 90,023,990

On June 8, 2000, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 5-G Variable Rate Demand Revenue Bonds (the Bonds) in the amount of \$23,000,000 for the College. The Bonds mature June 30, 2030. The interest rate on the Bonds is based on the adjusted one month LIBOR rate, adjusted weekly, and ranged from 0.04% to .17% during the fiscal year 2015 with an average rate of .08% for the year. Proceeds from the Bonds were used to finance a new language and dining center and for student resident housing improvements.

On April 1, 2005, Minnesota Higher Education Facilities Authority (MHEFA) issued Series 6-D Variable Rate Demand Revenue Bonds (the Bonds) in the amount of \$31,460,000 for the College. The Bonds mature April 1, 2035. The interest rate on the Bonds, adjusted weekly, ranged from 0.04% to .17% during the fiscal year 2015 with an average rate of .09% for the year. The rate as of June 30, 2015 and 2014 was .08%. Proceeds of approximately \$28,000,000 were used to retire the Series 3-L1 and retire identified Series 4-N bonds upon maturity. The remaining proceeds were used to finance new student housing and real estate acquisitions near the College campus for purposes related to the educational mission of the College.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 4 BONDS PAYABLE (CONTINUED)

On December 1, 2008, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 6-T Fixed Rate Revenue Bonds (the Bonds) in the amount of \$19,665,000 for the College. The bonds include serial maturities through 2018 and term bonds maturing in 2023 and 2028. Annual principal payments for the serial maturities gradually increase. The bonds are subject to optional redemption beginning on January 1, 2018. Interest rates range from 2.33% to 5.22% for a true interest cost of 5.11%. Proceeds from the Bonds were used to finance new student housing and utility infrastructure improvements.

On June 29, 2010, the Minnesota Higher Education Facilities authority (MHEFA) issued Series 7-D Fixed Rate Revenue Bonds (the Bonds) in the amount of \$30,455,000 for the College. The bonds include serial maturities through 2021 and term bonds maturing in 2030 and 2040. Annual principal payments for the serial maturities gradually increase. The bonds are subject to optional redemption beginning on March 1, 2019. Interest rates range from 1.50% to 5.00% for a true interest cost of 4.50%. Proceeds from the Bonds were used to finance construction and renovation of the Weitz Center for Creativity.

The agreements contain various covenants regarding submission of financial statements and budgets; notice of intent to issue additional debt; maintaining a positive change in unrestricted net assets adjusted for certain items, for at least two of the preceding three fiscal years, and meeting certain debt coverage financial ratios.

The scheduled maturities of debt in each of the five years subsequent to June 30, 2015 are as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 3,845,000
2017	3,950,000
2018	4,080,000
2019	4,215,000
2020	2,300,000
Thereafter	67,800,000
Total	<u>\$ 86,190,000</u>

Interest Rate Swaps

The College uses interest rate swap agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate swap agreements are not entered into for trading or speculative purposes. The interest rate swap agreements are recognized as either assets or liabilities on the balance sheets and are measured at fair value. The interest rate swap agreements are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate swap agreements are reflected in the statements of activities and change in net assets.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 BONDS PAYABLE (CONTINUED)

Interest Rate Swaps (Continued)

On March 31, 2005, the College entered into an interest rate swap agreement with Morgan Stanley Capital Services Inc. effective April 13, 2005, terminating April 1, 2022, under the terms of the swap agreement, the College will pay a fixed rate of 3.53% and receives a variable rate of 68% of LIBOR. The applicable notional amount of the agreement, \$14,735,000, declines annually with each principal payment of MHEFA Series 6D variable rate bonds. At June 30, 2015 and 2014, the fair value of swap agreement liability was \$1,197,690 and \$1,601,492, respectively.

The College has the right to terminate the swap agreement at any time, at its sole discretion, at a commercially reasonable amount. Morgan Stanley can only terminate when there has been an event of default by the College or if the College debt is rated lower than Baa3. The termination at such time will be at the then commercially reasonable amount.

Standby Bond Purchase Agreements

The College has standby bond purchase agreements with a bank to provide liquidity support for the Series 5G and Series 6D variable rate bonds, which are remarketed weekly. In the event some or all of the bonds were tendered and not remarketed, the facility provides for the purchase of the un-remarketed bonds by the bank. Any funds provided by this liquidity facility would be payable to the bank by the College. The College pays an annual commitment fee of .55% on the Series 5G and Series 6D agreements which expire April 30, 2017. There have been no bonds purchased by the bank under the agreements as of June 30, 2015.

NOTE 5 ENDOWMENTS

The College endowment consists of approximately 640 individual donor restricted endowment funds and 150 board-designated endowment funds. The College pools these investments in a unitized pool similar to an open-ended mutual fund. Funds added or withdrawn from the pool are recorded at their share of the market value per share at the beginning of the calendar quarter within which the transaction takes place.

The market value of the endowment reported in the financial statements includes the present value of pledges receivable. The market value of endowment investments, excluding contributions receivables to the endowment, was \$783,456,362 and \$792,737,205 as of June 30, 2015 and 2014, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2015:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ (899,110)	\$ 328,614,039	\$ 190,178,648	\$ 517,893,577
Board Designated Endowment Funds	265,562,785	-	-	265,562,785
Subtotal Endowment Funds	264,663,675	328,614,039	190,178,648	783,456,362
Contributions Receivable	(20,412)	835,779	418,631	1,233,998
Total Endowment Funds	<u>\$ 264,643,263</u>	<u>\$ 329,449,818</u>	<u>\$ 190,597,279</u>	<u>\$ 784,690,360</u>

Changes in endowment net assets for the year ended June 30, 2015:

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance, June 30, 2014	\$ 266,917,000	\$ 342,346,198	\$ 185,044,979	\$ 794,308,177
Net Contributions	3,496,753	28,080	4,815,953	8,340,786
Investment Return	5,013,147	9,748,006	-	14,761,153
Appropriations	(11,716,353)	(22,917,741)	-	(34,634,094)
Other Changes:				
Transfers of Matured Deferred Gifts to Endowment Funds	836,979	-	657,777	1,494,756
Donor Directed Gift Modifications	341,012	-	78,570	419,582
Change in Underwater Funds	(245,275)	245,275	-	-
Total Other Changes	<u>932,716</u>	<u>245,275</u>	<u>736,347</u>	<u>1,914,338</u>
Endowment Fund Balance, June 30, 2015	<u>\$ 264,643,263</u>	<u>\$ 329,449,818</u>	<u>\$ 190,597,279</u>	<u>\$ 784,690,360</u>

The assets under management by the investment office Endowment net asset composition by type of fund as of June 30, 2014:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ (653,835)	\$ 341,538,499	\$ 184,611,706	\$ 525,496,370
Board Designated Endowment Funds	267,240,835	-	-	267,240,835
Subtotal Endowment Funds	266,587,000	341,538,499	184,611,706	792,737,205
Contributions Receivable	330,000	807,699	433,273	1,570,972
Total Endowment Funds	<u>\$ 266,917,000</u>	<u>\$ 342,346,198</u>	<u>\$ 185,044,979</u>	<u>\$ 794,308,177</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2014:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Fund Balance, June 30, 2013	\$ 233,040,348	\$ 296,458,182	\$ 175,216,130	\$ 704,714,660
Net Contributions	5,031,725	(2,073,611)	7,040,347	9,998,461
Investment Return	37,022,518	72,927,756	-	109,950,274
Appropriations	(11,383,343)	(22,285,270)	-	(33,668,613)
Other Changes:				
Reallocation of Realized Gains	624,954	(624,954)	-	-
Transfers of Matured Deferred Gifts to Endowment Funds	245,106	-	2,525,245	2,770,351
Donor Directed Gift Modifications	279,787	-	263,257	543,044
Recovery of Underwater Funds	2,055,905	(2,055,905)	-	-
Total Other Changes	<u>3,205,752</u>	<u>(2,680,859)</u>	<u>2,788,502</u>	<u>3,313,395</u>
Endowment Fund Balance, June 30, 2014	<u>\$ 266,917,000</u>	<u>\$ 342,346,198</u>	<u>\$ 185,044,979</u>	<u>\$ 794,308,177</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$899,110 and \$653,835 as of June 30, 2015 and 2014, respectively. These deficits resulted from unfavorable market fluctuations that occurred shortly after the investment of newly established endowments, and authorized appropriation was deemed prudent.

NOTE 6 RETIREMENT PLAN

Retirement benefits for substantially all full-time nonunion employees are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA and CREF). Under this agreement, the College and plan participants contribute to individual employee TIAA-CREF retirement accounts which fund individual retirement benefits.

Expenses for the College's share of the contributions were \$4,939,867 and \$4,799,024 in 2015 and 2014, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are included in the financial statements as contributions receivable and revenue in the appropriate net asset category.

Contributions receivable are summarized as follows at June 30, 2015 and 2014:

	2015	2014
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 1,318,715	\$ 2,051,310
One Year to Five Years	2,556,874	2,958,661
Over Five Years	86,750	296,810
Gross Pledges Receivable	3,962,339	5,306,781
Less: Present Value Discount	(151,064)	(183,586)
Less: Allowance for Uncollectible Pledges	(100,000)	(100,000)
Pledges Receivable, Net	\$ 3,711,275	\$ 5,023,195

Contributions receivable from board members and employees totaled \$685,950 and \$1,271,812 at June 30, 2015 and 2014, respectively.

At June 30, 2015 and 2014, approximately 22% and 33% gross contributions receivable, respectively, were attributed to one contributor.

NOTE 8 CREDIT QUALITY OF STUDENT NOTES RECEIVABLE

The College issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2015 and 2014, student loans represented approximately 0.67% of total assets.

At June 30, student loans consisted of the following:

	2015	2014
Federal Government Programs	\$ 7,332,462	\$ 7,134,238
Henry Strong Loan Program	167,556	198,080
Institutional Loan Programs	690,420	947,496
Subtotal, Gross	8,190,438	8,279,814
Less Allowance for Doubtful Accounts:		
Beginning of Year	(444,466)	(444,466)
Decreases to Allowance	289,466	-
End of Year	(155,000)	(444,466)
Student Loans Receivable, Net	\$ 8,035,438	\$ 7,835,348

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014**

NOTE 8 CREDIT QUALITY OF STUDENT NOTES RECEIVABLE (CONTINUED)

Funds advanced by the Federal government of \$4,912,110 and \$5,234,797 at June 30, 2015 and 2014, respectively, are ultimately refundable to the government and are classified as liabilities on the balance sheets.

At June 30, 2015 and 2014, the past due and current amounts under student loan programs were as follows:

	<u>2015</u>	<u>2014</u>
Current Loan Receivables	\$ 7,676,304	\$ 7,465,446
Past Due Loan Receivables:		
0-240 Days Past Due	309,846	342,908
240 Days - 2 Years Past Due	18,189	63,549
2-5 Years Past Due	117,080	204,840
5+ Years Past Due	<u>69,019</u>	<u>203,071</u>
Total Past Due	<u>514,134</u>	<u>814,368</u>
Total Student Loan Receivables, Gross	<u>\$ 8,190,438</u>	<u>\$ 8,279,814</u>

As of June 30, 2015 and 2014, the Perkins Cohort Default rate was 1.73% and 1.62%, respectively.

NOTE 9 FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and pledges receivable approximate fair value because of the short maturity of these financial instruments.

The carrying amount of bonds payable approximates fair value because these financial instruments bear interest at rates which approximate current market rates for bonds with similar maturities and credit quality.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The College is involved in various legal actions arising in the normal course of activities and is subject to periodic audits and inquiries by various regulatory agencies. Although the ultimate outcome of such matters is not determinable at this time, management believes that the resolution of these pending matters will not have a materially adverse effect on the College's financial statements.

During the year, the College entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2015 and 2014, the remaining commitment on these contracts totaled \$8,119,126 and \$5,566,628, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 11 SELF-INSURED WORKERS' COMPENSATION

Effective January 1, 2015, the College provides medical benefits through a self-insured plan, which is available to all employees of the College who meet eligibility requirements for medical benefits. Accrued expenses include an incurred but not reported reserve of \$490,855 as of June 30, 2015, an estimate of amounts due and payable on existing claims for which the College is self-insured and which are expected to be settled currently. For the plan year ended December 31, 2015, the College is self-insured with an aggregate stop loss of \$7,610,514. As of June 30, 2015, the College had unrestricted net assets of \$765,000 designated for health insurance benefits, which consist of the cumulative amount of College and employee contributions toward health premiums have exceeded expenses over the life of the plan.

The College is self-insured for workers' compensation. As of June 30, 2015 and 2014, the College has recorded a liability of \$225,000, for claims incurred but not yet reported. The Workers' Compensation Reinsurance Association (WCRA) provides stop-loss coverage for aggregate claims in excess of \$450,000. The College has established a workers' compensation reserve as required by WCRA, which is included in Investments on the balance sheets, of \$853,822 and \$926,882 as of June 30, 2015 and 2014, respectively.

NOTE 12 EXPENSES BY NATURAL CLASSIFICATION

The expenses reported by function on the statements of activities and changes in net assets are summarized by natural classification as follows:

	<u>2015</u>	<u>2014</u>
Salaries and Wages	\$ 52,436,241	\$ 50,257,790
Employee Benefits	16,877,070	17,710,898
Student Employment	3,736,032	3,746,662
Professional Services	3,727,422	3,131,816
Supplies	4,838,902	4,858,588
Equipment	3,605,388	3,798,421
Building Maintenance	4,327,340	3,913,769
Utilities	2,475,507	3,062,072
Interest Expense	2,802,067	2,918,481
Depreciation	10,527,326	10,614,735
Food Service	7,173,340	6,917,796
Travel	7,450,962	6,944,164
Other	7,713,203	6,898,273
Total	<u>\$ 127,690,800</u>	<u>\$ 124,773,465</u>

Other is comprised primarily of insurance, membership fees, meetings and entertainment and other miscellaneous expenses.

CARLETON COLLEGE
EXPANDED BALANCE SHEET
JUNE 30, 2015
(WITH SUMMARIZED TOTALS AS OF JUNE 30, 2014)
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations	Physical Capital	Financial Capital	2015 Totals	2014 Totals
ASSETS					
Cash and Cash Equivalents	\$ 17,231,763	\$ 41,909,753	\$ (17,616,427)	\$ 41,525,089	\$ 33,898,231
Receivables, Net:					
Contributions	993,257	1,484,019	1,233,999	3,711,275	5,023,195
Government	630,477	-	-	630,477	890,381
Other	1,200,691	-	-	1,200,691	973,766
Inventories and Prepaid Expenses	2,763,495	-	-	2,763,495	2,550,924
Loans to Students	-	-	8,035,438	8,035,438	7,835,348
Deposits with Bond Trustee	-	426,850	-	426,850	433,682
Trusts Held by Others	-	-	11,806,913	11,806,913	11,492,258
Investments	37,760,767	-	867,944,377	905,705,144	903,116,678
Property, Plant and Equipment, Net of Depreciation	-	190,739,885	-	190,739,885	192,340,374
Total Assets	\$ 60,580,450	\$ 234,560,507	\$ 871,404,300	\$ 1,166,545,257	\$ 1,158,554,837
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts Payable	\$ 2,144,797	\$ 1,573,723	\$ -	\$ 3,718,520	\$ 3,021,965
Accrued Expenses	8,127,380	851,943	-	8,979,323	7,946,549
Deferred Income and Deposits	4,584,214	-	-	4,584,214	4,060,330
Annuities Payable	-	-	23,717,939	23,717,939	24,063,062
Asset Retirement Obligation	-	1,109,628	-	1,109,628	2,628,955
Fair Value of Interest Rate SWAP	-	1,197,690	-	1,197,690	1,601,492
Bonds Payable, Net	-	86,258,511	-	86,258,511	90,023,990
Refundable Government Grants for Student Loans	-	-	4,912,110	4,912,110	5,234,797
Total Liabilities	14,856,391	90,991,495	28,630,049	134,477,935	138,581,140
Net Assets:					
Unrestricted:					
Operations	17,688,235	-	17,044,026	34,732,261	30,733,053
Student Loan Funds	-	-	3,963,965	3,963,965	3,604,921
Net Investment in Plant	-	143,011,335	-	143,011,335	132,366,568
Funds Functioning as Endowment	-	-	264,643,263	264,643,263	266,917,000
Total Unrestricted Net Assets	17,688,235	143,011,335	285,651,254	446,350,824	433,621,542
Temporarily Restricted:					
Operations	28,035,824	-	-	28,035,824	23,104,034
Plant Funds	-	557,677	-	557,677	1,128,859
Funds Functioning as Endowments	-	-	329,449,818	329,449,818	342,346,198
Split Interest Funds	-	-	25,359,561	25,359,561	22,057,909
Total Temporarily Restricted Net Assets	28,035,824	557,677	354,809,379	383,402,880	388,637,000
Permanently Restricted:					
True Endowments	-	-	190,597,279	190,597,279	185,044,979
Split Interest Funds	-	-	11,716,339	11,716,339	12,670,176
Total Permanently Restricted Net Assets	-	-	202,313,618	202,313,618	197,715,155
Total Net Assets	45,724,059	143,569,012	842,774,251	1,032,067,322	1,019,973,697
Total Liabilities and Net Assets	\$ 60,580,450	\$ 234,560,507	\$ 871,404,300	\$ 1,166,545,257	\$ 1,158,554,837

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2015
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations		Physical Capital		Financial Capital			2015 Totals
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 96,959,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 96,959,532
Room and Board	21,001,728	-	-	-	-	-	-	21,001,728
Scholarships	(35,018,615)	-	-	-	-	-	-	(35,018,615)
Net Student Fees	82,942,645	-	-	-	-	-	-	82,942,645
Private Gifts and Pledges	7,890,760	8,201,218	84,000	420,712	3,496,753	4,439,452	4,815,953	29,348,848
Government Reimbursements	595,070	4,208,235	-	-	-	-	-	4,803,305
Interest and Dividends (Net Fees)	668,386	472	3	-	1,177,587	3,364,520	-	5,210,968
Net Realized Gain (Loss)	(168,496)	-	1,614,471	-	14,441,851	25,904,236	-	41,792,062
Net Unrealized Loss	(167,454)	-	-	-	(9,646,866)	(19,021,584)	-	(28,835,904)
Unrealized Gain on Interest Rate SWAP	-	-	403,802	-	-	-	-	403,802
Net Change in Annuity and Life Income Funds	-	-	-	-	-	(114,130)	(953,837)	(1,067,967)
Bookstore, Rents and Other	4,509,136	510,404	105,309	-	61,817	-	-	5,186,666
Subtotal Revenue	96,270,047	12,920,329	2,207,585	420,712	9,531,142	14,572,494	3,862,116	139,784,425
Fund Transfers	(18,875,409)	(2,032,877)	20,463,704	25,000	932,716	(1,249,481)	736,347	-
Investment Return Allocation	-	34,634,094	-	-	(11,716,353)	(22,917,741)	-	-
Net Assets Released from Restrictions	40,572,629	(40,589,756)	1,016,834	(1,016,894)	17,187	-	-	-
Total Revenues and Other Additions	117,967,267	4,931,790	23,688,123	(571,182)	(1,235,308)	(9,594,728)	4,598,463	139,784,425
EXPENSES								
Instruction	43,318,752	-	11,629,528	-	-	-	-	54,948,280
Research	4,210,264	-	-	-	-	-	-	4,210,264
Academic Support:								
Library	4,838,124	-	1,052,406	-	-	-	-	5,890,530
Other	9,864,700	-	1,292,896	-	-	-	-	11,157,596
Student Services	12,555,375	-	2,677,454	-	-	-	-	15,232,829
Institutional Support:								
Administration	5,340,902	-	466,404	-	-	-	-	5,807,306
External Relations	3,479,742	-	31,622	-	-	-	-	3,511,364
Fund Raising	4,974,391	-	-	-	-	-	-	4,974,391
General	3,422,597	-	77,357	-	-	-	-	3,499,954
Plant Operations	12,772,460	-	(12,772,460)	-	-	-	-	-
Auxiliary Enterprises	9,870,137	-	8,588,149	-	-	-	-	18,458,286
Student Services	114,647,444	-	13,043,356	-	-	-	-	127,690,800
CHANGE IN NET ASSETS	3,319,823	4,931,790	10,644,767	(571,182)	(1,235,308)	(9,594,728)	4,598,463	12,093,625
Net Assets - Beginning of Year	14,368,412	23,104,034	132,366,568	1,128,859	286,886,562	364,404,107	197,715,155	1,019,973,697
NET ASSETS - END OF YEAR	<u>\$ 17,688,235</u>	<u>\$ 28,035,824</u>	<u>\$ 143,011,335</u>	<u>\$ 557,677</u>	<u>\$ 285,651,254</u>	<u>\$ 354,809,379</u>	<u>\$ 202,313,618</u>	<u>\$ 1,032,067,322</u>

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2014
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations		Physical Capital		Financial Capital			2014 Totals
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 93,220,041	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,220,041
Room and Board	20,094,329	-	-	-	-	-	-	20,094,329
Scholarships	(33,983,589)	-	-	-	-	-	-	(33,983,589)
Net Student Fees	79,330,781	-	-	-	-	-	-	79,330,781
Private Gifts and Pledges	7,423,805	5,652,138	75,999	318,142	5,031,725	(1,685,030)	7,040,347	23,857,126
Government Reimbursements	567,295	3,468,880	-	-	-	-	-	4,036,175
Interest and Dividends (Net Fees)	656,919	777	3	-	861,181	2,817,052	-	4,335,932
Net Realized Gain (Loss)	(201,395)	-	(8,689)	-	19,603,061	35,737,709	-	55,130,686
Net Unrealized Gain	96,526	-	-	-	19,986,943	43,038,308	-	63,121,777
Unrealized Gain on Interest Rate SWAP	-	-	450,221	-	-	-	-	450,221
Net Change in Annuity and Life Income Funds	-	-	-	-	-	(2,549,889)	(525,092)	(3,074,981)
Bookstore, Rents and Other	5,047,571	513,517	248,694	-	-	-	-	5,809,782
Subtotal Revenue	92,921,502	9,635,312	766,228	318,142	45,482,910	77,358,150	6,515,255	232,997,499
Fund Transfers	(16,018,964)	(1,775,990)	17,432,348	1,071,923	3,134,623	(6,632,442)	2,788,502	-
Operating Surplus Allocation	(1,000,000)	-	-	-	1,000,000	-	-	-
Investment Return Allocation	-	33,668,613	-	-	(11,383,343)	(22,285,270)	-	-
Net Assets Released from Restrictions	40,117,644	(40,356,102)	7,461,875	(7,240,400)	16,983	-	-	-
Total Revenues and Other Additions	116,020,182	1,171,833	25,660,451	(5,850,335)	38,251,173	48,440,438	9,303,757	232,997,499
EXPENSES								
Instruction	42,077,502	-	11,605,852	-	-	-	-	53,683,354
Research	3,458,001	-	-	-	-	-	-	3,458,001
Academic Support:								
Library	4,688,880	-	1,289,315	-	-	-	-	5,978,195
Other	9,186,519	-	352,420	-	-	-	-	9,538,939
Student Services	12,119,721	-	2,992,370	-	-	-	-	15,112,091
Institutional Support:								
Administration	5,157,643	-	531,076	-	-	-	-	5,688,719
External Relations	3,405,209	-	46,698	-	-	-	-	3,451,907
Fund Raising	4,451,410	-	-	-	-	-	-	4,451,410
General	4,311,291	-	49,482	-	-	-	-	4,360,773
Plant Operations	13,254,984	-	(13,254,984)	-	-	-	-	-
Auxiliary Enterprises	9,908,712	-	9,141,364	-	-	-	-	19,050,076
Total Expenses	112,019,872	-	12,753,593	-	-	-	-	124,773,465
CHANGE IN NET ASSETS	4,000,310	1,171,833	12,906,858	(5,850,335)	38,251,173	48,440,438	9,303,757	108,224,034
Net Assets - Beginning of Year	10,368,102	21,932,201	119,459,710	6,979,194	248,635,389	315,963,669	188,411,398	911,749,663
NET ASSETS - END OF YEAR	\$ 14,368,412	\$ 23,104,034	\$ 132,366,568	\$ 1,128,859	\$ 286,886,562	\$ 364,404,107	\$ 197,715,155	\$ 1,019,973,697