

CARLETON COLLEGE
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

**CARLETON COLLEGE
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YEARS ENDED JUNE 30, 2011 AND 2010**

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Carleton College
Northfield, Minnesota

We have audited the accompanying balance sheets of Carleton College (the College) as of June 30, 2011 and 2010, and the related statements of activities and change in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the College's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2011 and 2010, and the results of its activities and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
September 29, 2011

**CARLETON COLLEGE
BALANCE SHEETS
JUNE 30, 2011 AND 2010**

ASSETS	2011	2010
Cash and Cash Equivalents	\$ 48,884,949	\$ 55,078,144
Receivables, Net:		
Contributions	33,034,539	41,073,523
Government	880,035	859,414
Other	893,464	802,278
Inventories, Prepaid Expenses, and Deferred Charges	2,685,161	2,731,636
Loans to Students	8,276,396	8,412,078
Deposits with Bond Trustee	9,721,737	27,618,541
Trusts Held by Others	9,705,725	8,226,412
Investments	734,633,398	617,591,249
Property, Plant, and Equipment, Net of Depreciation	171,804,859	145,460,287
	\$ 1,020,520,263	\$ 907,853,562
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 10,393,654	\$ 3,296,803
Accrued Expenses	7,779,372	8,043,888
Deferred Income and Deposits	4,858,460	6,427,087
Annuities Payable	23,243,923	21,789,048
Asset Retirement Obligation	2,467,953	2,402,574
Fair Value of Interest Rate SWAP	2,420,199	2,777,653
Bonds Payable, Net	110,891,662	122,693,505
Refundable Government Grants for Student Loans	5,355,614	5,402,665
Total Liabilities	167,410,837	172,833,223
NET ASSETS		
Unrestricted:		
Operations	20,290,086	13,868,738
Student Loan Funds	3,608,079	3,525,656
Net Investment in Plant	79,722,414	62,824,327
Funds Functioning as Endowment	211,067,434	169,655,115
Total Unrestricted Net Assets	314,688,013	249,873,836
Temporarily Restricted:		
Operations	20,545,693	20,586,063
Plant Funds	30,750,554	25,752,372
Funds Functioning as Endowments	289,332,938	248,956,732
Split Interest Funds	18,984,202	15,131,945
Total Temporarily Restricted Net Assets	359,613,387	310,427,112
Permanently Restricted:		
True Endowments	166,002,391	163,958,346
Split Interest Funds	12,805,635	10,761,045
Total Permanently Restricted Net Assets	178,808,026	174,719,391
Total Net Assets	853,109,426	735,020,339
Total Liabilities and Net Assets	\$ 1,020,520,263	\$ 907,853,562

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 81,791,972	\$ -	\$ -	\$ 81,791,972	\$ 78,925,879	\$ -	\$ -	\$ 78,925,879
Room and Board	17,775,843	-	-	17,775,843	17,076,771	-	-	17,076,771
Scholarships	(29,572,953)	-	-	(29,572,953)	(28,022,026)	-	-	(28,022,026)
Net Student Fees	69,994,862	-	-	69,994,862	67,980,624	-	-	67,980,624
Private Gifts and Pledges	20,212,882	14,278,879	1,482,489	35,974,250	19,653,183	19,858,607	6,680,228	46,192,018
Government Grants and Contracts	611,365	2,642,028	-	3,253,393	620,987	2,132,123	-	2,753,110
Interest and Dividends	1,499,638	2,767,719	-	4,267,357	1,258,444	2,109,485	-	3,367,929
Net Realized Gain	6,384,393	9,641,224	-	16,025,617	1,927,806	4,000,520	-	5,928,326
Net Unrealized Gain	30,688,811	70,492,355	-	101,181,166	17,230,267	39,540,757	-	56,771,024
Unrealized Gain (Loss) on Interest Rate SWAP	260,159	-	-	260,159	(641,068)	-	-	(641,068)
Net Change in Annuity & Life Income Funds	-	(6,170,461)	2,044,590	(4,125,871)	-	(3,944,099)	1,002,041	(2,942,058)
Bookstore, Rents and Other	4,338,639	1,260,516	-	5,599,155	4,208,758	-	-	4,208,758
Subtotal Revenue	133,990,749	94,912,260	3,527,079	232,430,088	112,239,001	63,697,393	7,682,269	183,618,663
Fund Transfers	5,723,256	(6,284,812)	561,556	-	6,547,505	(7,769,244)	1,221,739	-
Net Assets Released from Restrictions	39,441,173	(39,441,173)	-	-	29,894,483	(29,894,483)	-	-
Total Revenues and Other Additions	179,155,178	49,186,275	4,088,635	232,430,088	148,680,989	26,033,666	8,904,008	183,618,663
EXPENSES								
Instruction	47,813,031	-	-	47,813,031	48,152,212	-	-	48,152,212
Research	2,176,930	-	-	2,176,930	1,861,213	-	-	1,861,213
Academic Support:								
Library	6,185,845	-	-	6,185,845	5,730,705	-	-	5,730,705
Other	7,556,767	-	-	7,556,767	7,461,918	-	-	7,461,918
Student Services	14,513,427	-	-	14,513,427	15,601,626	-	-	15,601,626
Institutional Support:								
Administration	4,941,069	-	-	4,941,069	5,123,767	-	-	5,123,767
External Relations	4,386,790	-	-	4,386,790	3,865,314	-	-	3,865,314
Fund Raising	3,646,299	-	-	3,646,299	4,025,840	-	-	4,025,840
General	5,160,532	-	-	5,160,532	5,253,926	-	-	5,253,926
Auxiliary Enterprises	17,960,311	-	-	17,960,311	14,465,772	-	-	14,465,772
Total Expenses	114,341,001	-	-	114,341,001	111,542,293	-	-	111,542,293
CHANGE IN NET ASSETS	64,814,177	49,186,275	4,088,635	118,089,087	37,138,696	26,033,666	8,904,008	72,076,370
Net Assets - Beginning of Year	249,873,836	310,427,112	174,719,391	735,020,339	212,735,140	284,393,446	165,815,383	662,943,969
NET ASSETS - END OF YEAR	<u>\$ 314,688,013</u>	<u>\$ 359,613,387</u>	<u>\$ 178,808,026</u>	<u>\$ 853,109,426</u>	<u>\$ 249,873,836</u>	<u>\$ 310,427,112</u>	<u>\$ 174,719,391</u>	<u>\$ 735,020,339</u>

See accompanying Notes to Financial Statements.

**CARLETON COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 118,089,087	\$ 72,076,370
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation, Amortization and Accretion	8,838,085	8,110,638
Net Realized and Unrealized Gain on Investments	(117,206,783)	(62,699,350)
Private Gifts for Long-Term Investments	(9,251,554)	(15,386,149)
Change in Value of Annuities and Life Income Trusts	4,330,651	3,134,944
Change in Value of Trusts Held by Others	(1,479,313)	(479,276)
Change in Value of Interest Rate SWAP	(260,159)	641,068
(Gain) Loss on Disposal of Property, Plant and Equipment	(1,562,208)	60,676
Noncash Donations of Property, Plant and Equipment	(167,996)	(90,000)
Change in Unamortized Bond Discount	(56,843)	(46,841)
Change in Asset Retirement Obligation	65,379	66,786
Changes in Operating Assets and Liabilities:		
Receivable, Net - Pledges	8,038,984	(11,226,112)
Receivable, Net - Government	(20,621)	(328,328)
Receivable, Net - Other	(91,186)	516,817
Inventories, Prepaid Expenses, and Deferred Charges	46,475	(207,984)
Loans to Students	135,682	(297,201)
Accounts Payable	6,999,556	(4,029,420)
Accrued Expenses	(264,516)	695,906
Deferred Income and Deposits	(1,568,627)	(442,646)
Refundable Government Grants for Student Loans	(47,051)	(57,029)
Net Cash Provided (Used) by Operating Activities	14,567,042	(9,987,131)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(41,734,682)	(152,029,228)
Proceeds from Sale of Investments	41,899,316	182,367,371
Proceeds from Sale of Property, Plant, and Equipment	1,827,881	520,115
Acquisition of Property, Plant, and Equipment	(35,280,334)	(13,508,436)
Net Cash Provided (Used) by Investing Activities	(33,287,819)	17,349,822
CASH FLOWS FROM FINANCING ACTIVITIES		
Changes in Deposits with Bond Trustee	17,896,804	(16,875,362)
Proceeds from Private Gifts for Long-Term Investment	9,251,554	15,386,149
Payments to Annuitants	(2,875,776)	(2,852,641)
Bond Issue Costs Paid	-	(335,271)
Proceeds from Issuance of Bonds Payable	-	30,445,000
Bond Premium	-	1,507,105
Principal Payments	(11,745,000)	(1,605,000)
Net Cash Provided by Financing Activities	12,527,582	25,669,980
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,193,195)	33,032,671
Cash and Cash Equivalent - Beginning of Year	55,078,144	22,045,473
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 48,884,949	\$ 55,078,144
SUPPLEMENTAL INFORMATION		
Interest Paid, Net of Interest Capitalized	\$ 1,772,176	\$ 2,038,493
Property, Plant and Equipment in Accounts Payable	\$ 8,738,237	\$ 1,130,900

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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 1,950 students drawn from all 50 states and 33 different countries. Carleton offers a four-year baccalaureate degree in 37 majors 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 restricted by explicit donor stipulation.

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, 2011 AND 2010

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. 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.

Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts and short-term investments with an original maturity of less than three months. The amounts on hand may at times exceed federally insured limits.

Contributions Receivable

Contributions Receivable include pledges that are recorded at their present value using discount rates ranging from approximately .19% to 5.14% depending on the year of inception. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors. For the years ended June 30, 2011 and 2010, the College had an allowance of \$430,000 and 890,000, respectively.

Other Receivables and Loans to Students

Receivables are stated at net realizable value. The College has a long tradition of successful collection. Based on management's experience and analysis of individual accounts past due, the allowance for uncollectibility was \$150,000 and \$189,900 for the years ended June 30, 2011 and 2010, respectively. The need for an 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 values 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 changes 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, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (3 to 40 years). Arts and antiques are maintained as collectables and accordingly, are not depreciated.

Inventories

Inventories consist primarily of print center supplies, bookstore books and merchandise as well as steam plant fuel oil reserves. 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 construction of various current and future plant projects.

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 and student deposits.

Planned Gift Split-Interest Agreements

Annuities payable represent the College's liability under annuity contracts with donors and irrevocable charitable remainder trusts for which the College serves as trustee. 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.

For those irrevocable charitable remainder trusts for which the College does not serve as trustee, 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 an accrual. 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.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Planned Gift Split-Interest Agreements (Continued)

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 trust has been obtained by 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, 2011 and 2010 was \$86,404 and \$102,131, respectively.

Asset Retirement Obligation

The College is required to accrue for the present value of future estimated costs to remediate environmental hazards related to property they own and the College has estimated the cost of potential obligations to remove asbestos. The College used 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 included within liabilities in the balance sheets of June 30, 2011 and 2010 were \$2,467,953 and \$2,402,574, 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 no obligation for unrelated business income tax. Accordingly, no provisions for federal or state income taxes are required.

The College adopted the income tax standard for uncertain tax positions on January 1, 2009. As a result of the implementation, the College evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2011. The College's 2008 through 2011 tax years are open for examination by federal and state taxing authorities.

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.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Expenses

Expenses are directly coded to programs or support services 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 student 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.

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.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

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 that calculate net asset value per share (or its equivalent) as of June 30, 2011 and are redeemable at that measurement date are as follows:

Investment Category	NAV	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Fixed Income	\$ 41,402,946	-	Monthly	10 days
Hedge Funds: Multi Strategy	15,121,272	-	Quarterly	65 days
Hedge Funds: Long/Short Credit	20,917,838	-	Monthly	90 days
Hedge Funds Macro	18,151,318	-	Quarterly	90 days

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.

Multi-Strategy Hedge Funds 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.

Long/short credit Hedge Funds primarily invest in distressed and performing debt, but hedge their long positions to varying degrees by shorting credit securities believed to be overvalued.

Hedge Macro funds invest long and short across a number of asset classes including equities, derivatives, debt, currencies, and commodities. Macro funds invest based on a top down view of the worldwide economy.

The College uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the College measures fair value refer to Note 2 – Investments and Financial instruments measured at fair value.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

The College endowment consists of approximately 568 individual donor restricted endowment funds and 127 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 endowment investments, excluding contributions receivables to the endowment, was \$653,465,246 and \$563,438,740 as of June 30, 2011 and 2010, respectively. 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 90% of prior year spending increased by 4%; plus 10% of 5% of the 12 quarter average market value of the endowment as of the prior September 30; banded by not more than 5.75% or less than 3.75% of the market value of the endowment for the period ending September 30 prior to the start of the fiscal year.

Reclassifications

Certain amounts appearing in the 2010 financial statements have been reclassified to conform to the 2011 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through September 29, 2011, the date the financial statements were available to be issued.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The following tables present investments and financial instruments carried at fair value by the valuation hierarchy defined in Note 1 as of June 30, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 47,857,533	\$ -	\$ -	\$ 47,857,533
Fixed Income	18,215,080	41,402,946	-	59,618,026
Public Equities	146,366,727	-	55,324,787	201,691,514
Hedge Funds	-	56,846,529	139,662,665	196,509,194
Private Equity	-	-	131,536,710	131,536,710
Real Estate and Other Real Assets	-	-	39,988,170	39,988,170
Planned Gift Agreements and Other	3,303,790	3,571,911	50,556,550	57,432,251
Total Investments	<u>215,743,130</u>	<u>101,821,386</u>	<u>417,068,882</u>	<u>734,633,398</u>
Trusts Held by Others	-	-	9,705,725	9,705,725
Total	<u>\$ 215,743,130</u>	<u>\$ 101,821,386</u>	<u>\$ 426,774,607</u>	<u>\$ 744,339,123</u>

	2010			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and Cash Equivalents	\$ 28,076,905	\$ -	\$ -	\$ 28,076,905
Fixed Income	-	38,148,497	-	38,148,497
Equities	122,126,377	-	47,553,575	169,679,952
Private Equity	-	50,040,758	145,417,720	195,458,478
Hedge Funds	-	-	107,091,047	107,091,047
Real Estate and Other Real Assets	-	-	29,150,029	29,150,029
Planned Gift Agreements and Other	3,084,961	2,485,803	44,415,577	49,986,341
Total Investments	<u>153,288,243</u>	<u>90,675,058</u>	<u>373,627,948</u>	<u>617,591,249</u>
Trusts Held by Others	-	-	8,226,412	8,226,412
Total	<u>\$ 153,288,243</u>	<u>\$ 90,675,058</u>	<u>\$ 381,854,360</u>	<u>\$ 625,817,661</u>

Liabilities measured at fair value on a recurring basis as of June 30, 2011 and 2010:

	2011			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 2,420,199	\$ -	\$ 2,420,199

	2010			
	Level 1	Level 2	Level 3	Total
Interest Rate Swap	\$ -	\$ 2,777,653	\$ -	\$ 2,777,653

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

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

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 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 interest in hedge, private equity, real estate, and other similar funds). The value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. As of June 30, 2011, 48% of the investments held by Level 3 partnerships consisted of marketable securities with readily determinable fair values. The fair values (NAV) of the securities held by limited partnership that do not have readily determinable fair values 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, process of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The College has performed due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30, 2011.

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, 2011 and 2010, adjusted for cash and securities distributions as well as capital calls. The College believes that the carrying amount of its private capital investments is a reasonable estimate of fair value as of June 30, 2011 and 2010. 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 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, 2011 AND 2010

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:

	Fixed Income	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, 2010	\$ -	\$ 47,553,575	\$ 107,091,047	\$ 145,417,720	\$ 29,150,029	\$ 44,415,577	\$ 373,627,948	\$ 8,226,412	\$ 381,854,360
Realized Gain/(Losses)	-	-	9,201,382	(5,225,315)	2,255,554	537,876	6,769,497	128,412	6,897,909
Unrealized Gain/(Losses)	-	13,771,212	14,109,867	20,445,187	4,296,686	8,514,869	61,137,821	1,355,703	62,493,524
Investment Income	-	-	1,489,961	1,552,472	292,451	(1,789,392)	1,545,492	178,942	1,724,434
New Investments and Capital Calls	-	-	15,997,293	-	12,538,600	577,440	29,113,333	-	29,113,333
Redemptions	-	(6,000,000)	(16,352,840)	(19,871,298)	(8,545,150)	(1,699,820)	(52,469,108)	(183,744)	(52,652,852)
Balances as of June 30, 2011	-	\$ 55,324,787	\$ 131,536,710	\$ 142,318,766	\$ 39,988,170	\$ 50,556,550	\$ 419,724,983	\$ 9,705,725	\$ 429,430,708
Reclassified to Level 2	-	-	-	(32,140,801)	-	-	(32,140,801)	-	(32,140,801)
Reclassified to Level 3	-	-	-	29,484,700	-	-	29,484,700	-	29,484,700
Balances as of June 30, 2011	\$ -	\$ 55,324,787	\$ 131,536,710	\$ 139,662,665	\$ 39,988,170	\$ 50,556,550	\$ 417,068,882	\$ 9,705,725	\$ 426,774,607

	Fixed Income	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, 2009	\$ 38,221,339	\$ 39,715,045	\$ 91,499,467	\$ 199,422,516	\$ 24,715,093	\$ 42,824,653	\$ 436,398,113	\$ 7,747,136	\$ 444,145,249
Realized Gain/(Losses)	13,362	-	2,283,819	(4,356,486)	2,704,079	517,262	1,162,036	(40,467)	1,121,569
Unrealized Gain/(Losses)	2,047,360	7,838,530	5,706,662	27,614,678	(2,840,056)	4,898,010	45,265,184	573,326	45,838,510
Investment Income	(147,179)	-	440,621	(37,087)	307,371	1,301,035	1,864,761	127,497	1,992,258
New Investments and Capital Calls	10,000,000	-	12,430,540	-	9,801,512	458,783	32,690,835	-	32,690,835
Redemptions	(11,986,385)	-	(5,270,062)	(27,185,143)	(5,537,970)	(5,584,166)	(55,563,726)	(181,080)	(55,744,806)
Balances as of June 30, 2010	38,148,497	47,553,575	107,091,047	195,458,478	29,150,029	44,415,577	461,817,203	8,226,412	470,043,615
Reclassified to Level 2	(38,148,497)	-	-	(50,040,758)	-	-	(88,189,255)	-	(88,189,255)
Balances as of June 30, 2010	\$ -	\$ 47,553,575	\$ 107,091,047	\$ 145,417,720	\$ 29,150,029	\$ 44,415,577	\$ 373,627,948	\$ 8,226,412	\$ 381,854,360

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, 2011.

At June 30, 2011 and 2010, the College had outstanding commitments of \$98,045,403 and \$94,430,764, 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, 2011 and 2010, the College had \$18,805,345 and \$16,335,719, 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.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

The College holds mortgages on residences of eligible faculty and staff members that amounted to \$1,115,647 and \$1,075,538 as of June 30, 2011 and 2010, respectively. The average interest rate on the mortgages for the years ended June 30, 2011 and 2010 was 5.07%.

Investment expense totaled \$3,419,863 and \$2,531,383 for the years ended June 30, 2011 and 2010, respectively, and is netted with investment income.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of June 30, 2011 and 2010 are as follows:

	2011	2010
Land and Real Estate Improvements	\$ 3,638,077	\$ 3,561,609
Buildings	181,420,098	177,941,134
Equipment and Books	86,110,070	83,379,259
Construction in Progress:		
<i>Weitz Center for Creativity</i>	32,278,038	4,983,207
<i>Chapel Exterior</i>	-	716,400
<i>Wind Turbine II</i>	251,352	-
<i>Laird Stadium Renovation</i>	462,405	-
<i>Laird Track Replacement</i>	327,120	-
<i>Residence Hall Renovations</i>	683,314	66,067
<i>Academic Building Renovations</i>	372,612	1,055,078
<i>Other</i>	-	204,697
Subtotal	305,543,086	271,907,451
Less: Accumulated Depreciation	(133,738,227)	(126,447,164)
Total	\$ 171,804,859	\$ 145,460,287

Interest costs totaling \$1,385,616 and \$224,624 were capitalized as of June 30, 2011 and 2010, respectively.

Total depreciation expense as of June 30, 2011 and 2010 was \$8,838,085 and \$8,110,638, respectively.

The College has capitalized collections received of \$263,850 and \$90,000 for the years ended June 30, 2011 and 2010, respectively. These collection items are valued at fair market value at the date of donation and are not depreciated.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 4 BONDS PAYABLE

Bonds payable at June 30, 2011 and 2010 are as follows:

	2011	2010
Minnesota Higher Education Facilities Authority (MHEFA)		
Variable and Fixed Rate Demand Revenue Bonds		
Series 3L1 and 3L2	\$ 10,300,000	\$ 10,300,000
Revenue Bonds Series 5G	23,000,000	23,000,000
Revenue Bonds Series 6D	27,090,000	28,465,000
Revenue Bonds Series 6T	19,005,000	19,375,000
Revenue Bonds Series 6Y	-	10,000,000
Revenue Bonds Series 7D	30,455,000	30,455,000
Subtotal	109,850,000	121,595,000
Unamortized Premium (Discount)	1,041,662	1,098,505
Total Net	\$ 110,891,662	\$ 122,693,505

On October 1, 1992, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 3-L2 Variable Rate Demand Revenue Bonds (the Bonds) in the amount of \$10,300,000 for the College. The Bonds mature November 1, 2012. The interest rate on the Bonds ranged from .05% to .32% during the fiscal year 2011 with an average rate of .23% for the year. Proceeds from the Bonds were used to finance academic building improvements.

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 ranged from .05% to .32% during the fiscal year 2011 with an average rate of .23% 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 ranged from .05% to .33% during the fiscal year 2011 with an average rate of .23% for the year. 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.

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.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 4 BONDS PAYABLE (CONTINUED)

On June 25, 2009, the Minnesota Higher Education Facilities Authority (MHEFA) issued Series 6-Y Variable Rate Revenue Notes (the Notes) in the amount of \$10,000,000 for the College. The notes have an interest rate of 3.20% that will reset on June 24, 2014. They have a final maturity of June 24, 2019 with a provision for optional redemption prior to maturity. Proceeds from the Bonds were used to finance the completion of new student housing and other existing building improvements. On June 24, 2011, the College redeemed the Series 6-Y Notes in full.

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 4.504%. 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 maturities of debt in each of the five years subsequent to June 30, 2011 are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$ 2,410,000
2013	13,860,000
2014	3,645,000
2015	3,745,000
2016	3,845,000
Thereafter	82,345,000
Total	<u>\$ 109,850,000</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 statement of activities and change in net assets.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 4 BONDS PAYABLE (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 notional amount of the agreement, \$25,430,000, declines annually with each principal payment of MHEFA Series 6D variable rate bonds. At June 30, 2011 and 2010, the fair value of swap agreement liability was \$2,420,199 and \$2,777,653, 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 3L1 and 3L2; Series 5G and Series 6D variable rate bonds. 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 no later than November 1, 2012 for the Series 3L and April 30, 2015 for the 5G and Series 6D. There have been no bonds purchased by the bank under the Agreement as of June 30, 2011.

NOTE 5 ENDOWMENTS

Endowment net asset composition by type of fund as of June 30, 2011:

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ (3,784,360)	\$ 279,192,456	\$ 166,002,391	\$ 441,410,487
Board Designated Endowment Funds	214,851,794	10,140,482	-	224,992,276
Total Endowment Funds	<u>\$ 211,067,434</u>	<u>\$ 289,332,938</u>	<u>\$ 166,002,391</u>	<u>\$ 666,402,763</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

NOTE 5 ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2011:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, June 30, 2010	\$ 169,655,115	\$ 248,956,732	\$ 163,958,346	\$ 582,570,193
Net Contributions	12,011,821	(5,017,038)	1,482,489	8,477,272
Investment Return	33,849,905	72,755,385	-	106,605,290
Appropriations	(10,202,504)	(21,654,013)	-	(31,856,517)
Other Changes:				
Transfers of Matured Deferred Gifts to Endowment Funds	853,960	-	255,813	1,109,773
Donor Directed Gift Modifications	(423,538)	-	305,743	(117,795)
Campaign Spending	(385,453)	-	-	(385,453)
Transfers from Temporarily Restricted Due to Change in Underwater Funds	5,708,128	(5,708,128)	-	-
Total Other Changes	5,753,097	(5,708,128)	561,556	606,525
Endowment Fund Balance, June 30, 2011	<u>\$ 211,067,434</u>	<u>\$ 289,332,938</u>	<u>\$ 166,002,391</u>	<u>\$ 666,402,763</u>

Endowment net asset composition by type of fund as of June 30, 2010:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	\$ (9,492,488)	\$ 232,144,578	\$ 163,958,346	\$ 386,610,436
Board Designated Endowment Funds	179,147,603	16,812,154	-	195,959,757
Total Endowment Funds	<u>\$ 169,655,115</u>	<u>\$ 248,956,732</u>	<u>\$ 163,958,346</u>	<u>\$ 582,570,193</u>

Changes in endowment net assets for the year ended June 30, 2010:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Fund Balance, June 30, 2009	\$ 147,849,817	\$ 236,816,104	\$ 156,056,379	\$ 540,722,300
Net Contributions	12,206,958	(3,645,823)	6,680,228	15,241,363
Investment Return	17,360,027	39,045,148	-	56,405,175
Appropriations	(9,777,088)	(21,668,917)	-	(31,446,005)
Other Changes:				
Transfers of Matured Deferred Gifts to Endowment Funds	1,412,863	-	1,026,085	2,438,948
Donor Directed Gift Modifications	(320,089)	-	195,654	(124,435)
Campaign Spending	(667,153)	-	-	(667,153)
Transfers from Temporarily Restricted Due to Change in Underwater Funds	1,589,780	(1,589,780)	-	-
Total Other Changes	2,015,401	(1,589,780)	1,221,739	1,647,360
Endowment Fund Balance, June 30, 2010	<u>\$ 169,655,115</u>	<u>\$ 248,956,732</u>	<u>\$ 163,958,346</u>	<u>\$ 582,570,193</u>

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 5 ENDOWMENTS (CONTINUED)

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 \$3,784,360 and \$9,492,488 as of June 30, 2011 and 2010, 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 \$4,415,979 and \$4,211,456 in 2011 and 2010, respectively.

In January 2007, two Voluntary Employee Benefit Account (VEBA) trusts were established. The Employer Contribution VEBA Trust (funded solely by employer pre-tax contributions) and Employee After-Tax-Contributions VEBA Trust (funded solely by employee after tax contributions) were established to provide eligible retired employees and their eligible spouses and dependents with access to certain insured and/or self-insured health benefits. The trusts are exempt from taxation to the extent permitted under section 501(c)(9) and 512 of the Internal Revenue Code of 1986.

The trusts were terminated on December 31, 2009. The College contributed \$93,418 to the Employer Contribution VEBA Trust during the fiscal year ended June 30, 2010. There is no future payment liability associated with this plan.

NOTE 7 PLEDGES RECEIVABLE

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

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 7 PLEDGES RECEIVABLE (CONTINUED)

Pledges receivable are summarized as follows at June 30, 2011 and 2010:

	2011	2010
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 11,781,304	\$ 12,698,689
One Year to Five Years	22,152,717	30,062,152
Over Five Years	901,373	1,811,158
Gross Pledges Receivable	34,835,394	44,571,999
Less: Present Value Discount	(1,370,855)	(2,608,476)
Less: Allowance for Uncollectible Pledges	(430,000)	(890,000)
Pledges Receivable, Net	\$ 33,034,539	\$ 41,073,523

Pledges receivable from Board members and employees totaled \$27,649,847 and \$32,428,153 at June 30, 2011 and 2010, respectively.

At June 30, 2011 and 2010, approximately 32% of gross pledges receivable were attributed to one contributor.

NOTE 8 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.

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at net realizable value in the accompanying statements. It is not practicable to estimate the fair value of these receivables since they contain federally-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

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 9 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.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010**

NOTE 9 COMMITMENTS AND CONTINGENCIES (CONTINUED)

During the year, the College entered into various contracts for construction of new academic buildings and other infrastructure improvements. As of June 30, 2011 and 2010, the remaining commitment on these contracts totaled approximately \$19,486,971 and \$5,736,314, respectively. The projects are being funded with contributions and debt financing.

NOTE 10 SELF-INSURED WORKERS' COMPENSATION

The College is self insured for workers' compensation. As of June 30, 2011 and 2010, the College has recorded a liability of \$250,000 and \$367,000, respectively, 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 of 1,206,717 and \$1,187,796 as of June 30, 2011 and 2010, respectively.

NOTE 11 EXPENSES BY OBJECT

The expenses reported by function on the statement of activities and changes in net assets are summarized by object as follows:

	<u>2011</u>	<u>2010</u>
Salaries and Wages	\$ 46,149,970	\$ 44,862,012
Employee Benefits	16,228,815	15,651,813
Student Employment	3,872,493	3,734,210
Professional Services	3,367,635	3,023,913
Supplies	4,861,883	4,655,662
Equipment	3,892,293	3,172,916
Building Maintenance	3,491,633	4,328,101
Utilities	2,518,200	2,495,218
Interest Expense	2,208,527	2,038,493
Depreciation	8,838,085	8,110,638
Food Service	5,908,433	5,747,550
Travel	6,708,646	6,533,102
Other	6,294,388	7,188,665
Total	<u>\$ 114,341,001</u>	<u>\$ 111,542,293</u>

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

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Trustees
Carleton College
Northfield, Minnesota

Our report on our audit of the basic financial statements of Carleton College for the year ended June 30, 2011 appears on page 1. This audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on pages 24 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
September 29, 2011

CARLETON COLLEGE
EXPANDED BALANCE SHEET
JUNE 30, 2011
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations	Physical Capital	Financial Capital	2011 Totals	2010 Totals
ASSETS					
Cash and Cash Equivalents	\$ 8,593,030	\$ 36,688,083	\$ 3,603,836	\$ 48,884,949	\$ 55,078,144
Receivables, Net:					
Contributions	13,040,255	16,795,332	3,198,952	33,034,539	41,073,523
Government	880,035	-	-	880,035	859,414
Other	893,464	-	-	893,464	802,278
Inventories, Prepaid Expenses and Deferred Charges	1,793,923	891,238	-	2,685,161	2,731,636
Loans to Students	-	-	8,276,396	8,276,396	8,412,078
Deposits with Bond Trustee	-	9,721,737	-	9,721,737	27,618,541
Trusts Held by Others	-	-	9,705,725	9,705,725	8,226,412
Investments	21,001,535	-	713,631,863	734,633,398	617,591,249
Property, Plant and Equipment, Net of Depreciation	-	171,804,859	-	171,804,859	145,460,287
Total Assets	\$ 46,202,242	\$ 235,901,249	\$ 738,416,772	\$ 1,020,520,263	\$ 907,853,562
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts Payable	\$ 1,655,417	\$ 8,738,237	\$ -	\$ 10,393,654	\$ 3,296,803
Accrued Expenses	6,869,142	910,230	-	7,779,372	8,043,888
Deferred Income and Deposits	4,858,460	-	-	4,858,460	6,427,087
Annuities Payable	-	-	23,243,923	23,243,923	21,789,048
Asset Retirement Obligation	-	2,467,953	-	2,467,953	2,402,574
Fair Value of Interest Rate SWAP	-	2,420,199	-	2,420,199	2,777,653
Bonds Payable, Net	-	110,891,662	-	110,891,662	122,693,505
Refundable Government Grants for Student Loans	-	-	5,355,614	5,355,614	5,402,665
Total Liabilities	13,383,019	125,428,281	28,599,537	167,410,837	172,833,223
Net Assets:					
Unrestricted:					
Operations	12,273,530	-	8,016,556	20,290,086	13,868,738
Student Loan Funds	-	-	3,608,079	3,608,079	3,525,656
Net Investment in Plant	-	79,722,414	-	79,722,414	62,824,327
Funds Functioning as Endowment	-	-	211,067,434	211,067,434	169,655,115
Total Unrestricted Net Assets	12,273,530	79,722,414	222,692,069	314,688,013	249,873,836
Temporarily Restricted:					
Operations	20,545,693	-	-	20,545,693	20,586,063
Plant Funds	-	30,750,554	-	30,750,554	25,752,372
Funds Functioning as Endowments	-	-	289,332,938	289,332,938	248,956,732
Split Interest Funds	-	-	18,984,202	18,984,202	15,131,945
Total Temporarily Restricted Net Assets	20,545,693	30,750,554	308,317,140	359,613,387	310,427,112
Permanently Restricted:					
True Endowments	-	-	166,002,391	166,002,391	163,958,346
Split Interest Funds	-	-	12,805,635	12,805,635	10,761,045
Total Permanently Restricted Net Assets	-	-	178,808,026	178,808,026	174,719,391
Total Net Assets	32,819,223	110,472,968	709,817,235	853,109,426	735,020,339
Total Liabilities and Net Assets	\$ 46,202,242	\$ 235,901,249	\$ 738,416,772	\$ 1,020,520,263	\$ 907,853,562

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2011
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations		Physical Capital		Financial Capital			2011 Totals
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 81,791,972	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,791,972
Room and Board	17,775,843	-	-	-	-	-	-	17,775,843
Scholarships	(29,572,953)	-	-	-	-	-	-	(29,572,953)
Net Student Fees	69,994,862	-	-	-	-	-	-	69,994,862
Private Gifts and Pledges	7,173,538	2,472,141	1,027,523	16,049,494	12,011,821	(4,242,756)	1,482,489	35,974,250
Loss on Long-Term Gifts and Pledges	-	-	-	-	-	-	-	-
Government Reimbursements	611,365	2,642,028	-	-	-	-	-	3,253,393
Interest and Dividends	471,316	-	99,234	-	929,088	2,767,719	-	4,267,357
Net Realized Gain (Loss)	7,157	-	1,562,208	-	4,815,028	9,641,224	-	16,025,617
Net Unrealized Gain (Loss)	29,609	-	-	-	30,659,202	70,492,355	-	101,181,166
Unrealized Loss on Interest Rate SWAP	-	-	260,159	-	-	-	-	260,159
Net Change in Annuity and Life Income Funds	-	-	-	-	-	(6,170,461)	2,044,590	(4,125,871)
Bookstore, Rents and Other	4,116,798	800,516	192,764	-	29,077	460,000	-	5,599,155
Subtotal Revenue	82,404,645	5,914,685	3,141,888	16,049,494	48,444,216	72,948,081	3,527,079	232,430,088
Fund Transfers	(13,045,876)	350,362	13,061,004	430,431	5,708,128	(7,065,605)	561,556	-
Investment Return Allocation	-	31,856,517	-	-	(10,202,504)	(21,654,013)	-	-
Net Assets Released from Restrictions	38,144,722	(38,161,934)	11,481,743	(11,481,743)	17,212	-	-	-
Total Revenues and Other Additions	107,503,491	(40,370)	27,684,635	4,998,182	43,967,052	44,228,463	4,088,635	232,430,088
EXPENSES								
Instruction	38,954,373	-	8,858,658	-	-	-	-	47,813,031
Research	2,435,437	-	(258,507)	-	-	-	-	2,176,930
Academic Support:								
Library	4,709,611	-	1,476,234	-	-	-	-	6,185,845
Other	7,298,694	-	258,073	-	-	-	-	7,556,767
Student Services	11,069,111	-	3,444,316	-	-	-	-	14,513,427
Institutional Support:								
Administration	4,835,936	-	105,133	-	-	-	-	4,941,069
External Relations	4,280,353	-	106,437	-	-	-	-	4,386,790
Fund Raising	3,646,299	-	-	-	-	-	-	3,646,299
General	5,620,455	-	(459,923)	-	-	-	-	5,160,532
Plant Operations	11,590,965	-	(11,590,965)	-	-	-	-	-
Auxiliary Enterprises	9,113,219	-	8,847,092	-	-	-	-	17,960,311
Total Expenses	103,554,453	-	10,786,548	-	-	-	-	114,341,001
CHANGE IN NET ASSETS	3,949,038	(40,370)	16,898,087	4,998,182	43,967,052	44,228,463	4,088,635	118,089,087
Net Assets - Beginning of Year	8,324,492	20,586,063	62,824,327	25,752,372	178,725,017	264,088,677	174,719,391	735,020,339
NET ASSETS - END OF YEAR	<u>\$ 12,273,530</u>	<u>\$ 20,545,693</u>	<u>\$ 79,722,414</u>	<u>\$ 30,750,554</u>	<u>\$ 222,692,069</u>	<u>\$ 308,317,140</u>	<u>\$ 178,808,026</u>	<u>\$ 853,109,426</u>

CARLETON COLLEGE
EXPANDED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED JUNE 30, 2010
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	General Operations		Physical Capital		Financial Capital			2010 Totals
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES AND OTHER ADDITIONS								
Tuition and Fees	\$ 78,925,879	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,925,879
Room and Board	17,076,771	-	-	-	-	-	-	17,076,771
Scholarships	(28,022,026)	-	-	-	-	-	-	(28,022,026)
Net Student Fees	67,980,624	-	-	-	-	-	-	67,980,624
Private Gifts and Pledges	7,351,225	4,112,232	90,000	19,252,412	12,211,958	(3,506,037)	6,960,128	46,471,918
Loss on Long-Term Gifts and Pledges	-	-	-	-	-	-	(279,900)	(279,900)
Government Reimbursements	620,987	2,132,123	-	-	-	-	-	2,753,110
Interest and Dividends	744,937	-	864	39	512,643	2,109,446	-	3,367,929
Net Realized Gain (Loss)	590,881	-	(60,676)	-	1,397,601	4,000,520	-	5,928,326
Net Unrealized Gain (Loss)	(17,276)	-	-	-	17,247,543	39,540,757	-	56,771,024
Unrealized Loss on Interest Rate SWAP	-	-	(641,068)	-	-	-	-	(641,068)
Net Change in Annuity and Life Income Funds	-	-	-	-	-	(3,944,099)	1,002,041	(2,942,058)
Bookstore, Rents and Other	3,955,262	-	173,481	-	80,015	-	-	4,208,758
Subtotal Revenue	81,226,640	6,244,355	(437,399)	19,252,451	31,449,760	38,200,587	7,682,269	183,618,663
Fund Transfers	(14,724,978)	(2,906,126)	13,873,462	(831,424)	7,399,021	(4,031,694)	1,221,739	-
Investment Return Allocation	-	31,446,005	-	-	(9,777,088)	(21,668,917)	-	-
Net Assets Released from Restrictions	37,121,312	(37,138,842)	2,532,729	(2,532,729)	17,530	-	-	-
Total Revenues and Other Additions	103,622,974	(2,354,608)	15,968,792	15,888,298	29,089,223	12,499,976	8,904,008	183,618,663
EXPENSES								
Instruction	37,569,205	-	10,583,007	-	-	-	-	48,152,212
Research	1,861,213	-	-	-	-	-	-	1,861,213
Academic Support:								
Library	4,448,606	-	1,282,099	-	-	-	-	5,730,705
Other	6,721,859	-	740,059	-	-	-	-	7,461,918
Student Services	10,686,802	-	4,914,824	-	-	-	-	15,601,626
Institutional Support:								
Administration	4,940,641	-	183,126	-	-	-	-	5,123,767
External Relations	3,743,694	-	121,620	-	-	-	-	3,865,314
Fund Raising	4,100,840	-	(75,000)	-	-	-	-	4,025,840
General	5,029,121	-	224,805	-	-	-	-	5,253,926
Plant Operations	11,199,257	-	(11,199,257)	-	-	-	-	-
Auxiliary Enterprises	9,464,736	-	5,001,036	-	-	-	-	14,465,772
Total Expenses	99,765,974	-	11,776,319	-	-	-	-	111,542,293
CHANGE IN NET ASSETS	3,857,000	(2,354,608)	4,192,473	15,888,298	29,089,223	12,499,976	8,904,008	72,076,370
Net Assets - Beginning of Year	4,467,492	22,940,671	58,631,854	9,864,074	149,635,794	251,588,701	165,815,383	662,943,969
NET ASSETS - END OF YEAR	<u>\$ 8,324,492</u>	<u>\$ 20,586,063</u>	<u>\$ 62,824,327</u>	<u>\$ 25,752,372</u>	<u>\$ 178,725,017</u>	<u>\$ 264,088,677</u>	<u>\$ 174,719,391</u>	<u>\$ 735,020,339</u>