

CARLETON COLLEGE
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2024 AND 2023



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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Carleton College
Northfield, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Carleton College, which comprise the balance sheets as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2024 and 2023, and the changes 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Carleton College and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Carleton College's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Carleton College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Carleton College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The financial responsibility ratio supplemental schedule is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the financial responsibility ratio supplemental schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Minneapolis, Minnesota
October 8, 2024

**CARLETON COLLEGE
BALANCE SHEETS
JUNE 30, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 26,013,327	\$ 22,848,148
Receivables, Net:		
Contributions	13,137,894	15,904,933
Grants	1,130,921	1,090,398
Students	46,726	350,619
Other	2,397,120	459,873
Inventories and Prepaid Expenses	2,920,185	2,448,591
Deposits with Bond Trustees	41,986,601	
Loans to Students	1,455,914	1,853,461
Trusts Held by Others	14,771,234	15,163,006
Investments	1,387,213,499	1,307,621,763
Property, Plant, and Equipment, Net of Depreciation	<u>392,921,373</u>	<u>359,566,453</u>
Total Assets	<u>\$ 1,883,994,794</u>	<u>\$ 1,727,307,245</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 12,456,967	\$ 7,044,739
Accrued Expenses	17,677,127	14,698,063
Deferred Income and Deposits	5,299,903	5,343,619
Obligations Under Split-Interest Agreements	18,016,435	17,957,543
Asset Retirement Obligation	2,748,920	2,750,258
Bonds Payable, Net	173,867,603	114,233,253
Refundable Government Grants for Student Loans	<u>448,279</u>	<u>195,008</u>
Total Liabilities	230,515,234	162,222,483
NET ASSETS		
Without Donor Restriction:		
Operations	41,014,790	37,221,936
Carleton Student Association	392,260	502,598
Student Loan Funds	2,450,963	2,924,181
Net Investment in Plant	278,996,821	276,040,502
Funds Functioning as Endowment	<u>411,407,323</u>	<u>402,414,335</u>
Total Without Donor Restriction	734,262,157	719,103,552
With Donor Restriction:		
Operations	33,941,874	35,954,948
Outside Agency	94,995	126,053
Student Loan Funds	374,934	377,736
Physical Plant Acquisitions	3,622,329	389,562
Endowment	843,971,850	774,117,143
Split-Interest Agreements	<u>37,211,421</u>	<u>35,015,768</u>
Total With Donor Restriction	919,217,403	845,981,210
Total Net Assets	<u>1,653,479,560</u>	<u>1,565,084,762</u>
Total Liabilities and Net Assets	<u>\$ 1,883,994,794</u>	<u>\$ 1,727,307,245</u>

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2024

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES AND OTHER ADDITIONS			
Net Student Fees	\$ 99,667,909	\$ -	\$ 99,667,909
Private Gifts and Pledges	10,020,099	8,142,387	18,162,486
Grants and Contracts	1,693,661	4,951,650	6,645,311
Net Investment Return	3,268,792	(17,214)	3,251,578
Bookstore, Rents, and Other	3,699,159	17,020	3,716,179
Subtotal Revenue	118,349,620	13,093,843	131,443,463
Investment Return Allocation	-	52,015,047	52,015,047
Net Assets Released from Restrictions	61,988,422	(61,988,422)	-
Total Revenues and Other Additions	180,338,042	3,120,468	183,458,510
OPERATING EXPENSES			
Program:			
Instruction	80,966,879	-	80,966,879
Research	6,379,086	-	6,379,086
Public Service	904,687	-	904,687
Academic Support	30,004,591	-	30,004,591
Student Services	21,433,062	-	21,433,062
Auxiliary Enterprises	20,894,785	-	20,894,785
Total Program Expenses	160,583,090	-	160,583,090
Institutional Support:			
Management and General	17,726,026	-	17,726,026
Fundraising	6,384,231	-	6,384,231
Total Institutional Support Expenses	24,110,257	-	24,110,257
Total Expenses	184,693,347	-	184,693,347
CHANGE IN NET ASSETS FROM OPERATING ACTIVITY	(4,355,305)	3,120,468	(1,234,837)
NONOPERATING ACTIVITY			
Private Gifts and Pledges	507,564	19,623,302	20,130,866
Net Investment Return	3,312,711	4,932,849	8,245,560
Net Realized Gain	15,106,259	34,634,852	49,741,111
Net Unrealized Gain	19,605,960	45,751,502	65,357,462
Realized Loss on Disposal	(212,187)	-	(212,187)
Net Change in Value of Split-interest Agreements	-	(1,924,917)	(1,924,917)
Other Non-Operating Income	165,622	141,165	306,787
Investment Return Allocation	(22,769,465)	(29,245,582)	(52,015,047)
Net Assets Released from Restrictions	3,797,446	(3,797,446)	-
Total Nonoperating Activity	19,513,910	70,115,725	89,629,635
CHANGE IN NET ASSETS	15,158,605	73,236,193	88,394,798
Net Assets - Beginning of Year	719,103,552	845,981,210	1,565,084,762
NET ASSETS - END OF YEAR	<u>\$ 734,262,157</u>	<u>\$ 919,217,403</u>	<u>\$ 1,653,479,560</u>

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2023

	Without Donor Restriction	With Donor Restriction	Total
OPERATING REVENUES AND OTHER ADDITIONS			
Net Student Fees	\$ 96,085,579	\$ -	\$ 96,085,579
Private Gifts and Pledges	10,379,589	7,373,876	17,753,465
Grants and Contracts	2,512,917	5,788,878	8,301,795
Net Investment Return	1,150,759	201,761	1,352,520
Bookstore, Rents, and Other	3,479,672	610,582	4,090,254
Subtotal Revenue	113,608,516	13,975,097	127,583,613
Investment Return Allocation	-	50,060,814	50,060,814
Net Assets Released from Restrictions	56,357,794	(57,438,889)	(1,081,095)
Total Revenues and Other Additions	169,966,310	6,597,022	176,563,332
OPERATING EXPENSES			
Program:			
Instruction	77,182,370	-	77,182,370
Research	5,177,573	-	5,177,573
Public Service	989,131	-	989,131
Academic Support	31,651,647	-	31,651,647
Student Services	20,082,174	-	20,082,174
Auxiliary Enterprises	19,369,525	-	19,369,525
Total Program Expenses	154,452,420	-	154,452,420
Institutional Support:			
Management and General	15,352,771	-	15,352,771
Fundraising	6,928,444	-	6,928,444
Total Institutional Support Expenses	22,281,215	-	22,281,215
Total Expenses	176,733,635	-	176,733,635
CHANGE IN NET ASSETS FROM OPERATING ACTIVITY	(6,767,325)	6,597,022	(170,303)
NONOPERATING ACTIVITY			
Private Gifts and Pledges	1,049,949	18,855,515	19,905,464
Net Investment Return	1,400,051	5,772,249	7,172,300
Net Realized Gain	20,010,590	57,700,864	77,711,454
Net Unrealized Gain	5,199,292	14,130,046	19,329,338
Realized Loss on Disposal	(500,274)	-	(500,274)
Net Change in Value of Split-interest Agreements	-	(1,788,100)	(1,788,100)
Other Non-Operating Income	1,237,974	163,579	1,401,553
Investment Return Allocation	(13,800,890)	(36,259,924)	(50,060,814)
Net Assets Released from Restrictions	17,050,140	(15,969,045)	1,081,095
Total Nonoperating Activity	31,646,832	42,605,184	74,252,016
CHANGE IN NET ASSETS	24,879,507	49,202,206	74,081,713
Net Assets - Beginning of Year	694,224,045	796,779,004	1,491,003,049
NET ASSETS - END OF YEAR	<u>\$ 719,103,552</u>	<u>\$ 845,981,210</u>	<u>\$ 1,565,084,762</u>

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 88,394,798	\$ 74,081,713
Adjustments to Reconcile Change in Net Assets to Net Cash		
Provided (Used) by Operating Activities:		
Depreciation, Amortization and Accretion	15,377,979	14,838,965
Net Realized and Unrealized Gain	(115,098,573)	(97,040,792)
Contributions for Long-Term Investments	(20,130,866)	(19,905,464)
Change in Value of Split-interest Agreements	2,286,404	2,026,862
Change in Value of Trusts Held by Others	391,772	(2,183,934)
Loss on Disposal of Property, Plant, and Equipment	181,320	(87,348)
Noncash Donations of Property, Plant, and Equipment	17,975	-
Change in Unamortized Bond Origination Costs and Discount	(638,707)	(466,755)
Change in Asset Retirement Obligation	73,245	73,547
Effect of Changes in Operating Assets and Liabilities:		
Receivable, Net - Contributions	2,767,039	3,328,070
Receivable, Net - Government	(40,523)	(450,148)
Receivable, Net - Other	(1,633,354)	980,734
Inventories and Prepaid Expenses	(471,594)	406,691
Loans to Students	397,547	436,093
Accounts Payable	5,412,228	1,688,222
Accrued Expenses	2,979,064	443,662
Deferred Income and Deposits	(43,716)	(538,914)
Refundable Government Grants for Student Loans	253,271	(430,551)
Net Cash Used by Operating Activities	(19,524,691)	(22,799,347)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(54,436,082)	(33,353,968)
Proceeds from Sale of Investments	89,942,919	63,944,363
Proceeds from Disposal of Property, Plant, and Equipment	32,360	194,405
Acquisition of Property, Plant, and Equipment	(49,039,137)	(16,309,270)
Net Cash Provided (Used) by Investing Activities	(13,499,940)	14,475,530
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Deposits with Bond Trustee	(41,986,601)	-
Contributions for Long-Term Investments	20,130,866	19,905,464
Payments to Annuitants	(2,227,512)	(2,409,632)
Bond Issue Costs Paid	(479,997)	-
Proceeds from Issuance of Bonds Payable	60,495,000	-
Bond Premium	5,963,054	-
Principal Payments	(5,705,000)	(5,440,000)
Net Cash Provided by Financing Activities	36,189,810	12,055,832
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,165,179	3,732,015
Cash and Cash Equivalent - Beginning of Year	22,848,148	19,116,133
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 26,013,327</u>	<u>\$ 22,848,148</u>

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid (net of capitalized interest of \$2,330,888 in 2024)	<u>\$ 4,510,885</u>	<u>\$ 3,651,235</u>
Property, Plant, and Equipment in Accounts Payable	<u>\$ 7,889,459</u>	<u>\$ 3,882,583</u>

See accompanying Notes to Financial Statements.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1866, Carleton College (the College) is a private, coeducational, residential liberal arts college, located in the historic river town of 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 countries. Carleton offers a four-year baccalaureate degree, with 33 majors and 40 minors in the arts, humanities, natural sciences, mathematics and social sciences to prepare graduates for leadership positions in their communities, countries and the world.

Basis of Presentation

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

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 as follows:

Net Assets Without Donor Restriction – Net assets that are not subject to donor-imposed restrictions. Net assets may be designated for specific purposes by action of the Board of Trustees.

Net Assets With Donor Restrictions – 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 with the passage of time. Net assets may be subject to donor-imposed restrictions that require them to be permanently maintained by the College. Generally, the donors of these assets permit the College to use the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restriction unless use of the revenue is restricted by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investment and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is defined by donor-imposed restrictions.

Net assets with donor restrictions which are met in the current period are reclassified to net assets without donor restriction 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 transfers at the time they are identified.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

A portion of the College's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the College has incurred expenditures in compliance with specific contract or grant provisions.

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, except for any such investments managed by external investment managers which are classified as investments. The amounts on hand may at times exceed the federally insured limit defined by the Federal Deposit Insurance Corporation (FDIC).

Contributions Receivable

Contributions receivable, 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. Contributions receivable are discounted using U.S. Treasury rates applicable to the year of inception and payment schedule, rates range from .08% to 5.4%, depending on the year of 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. The allowance for uncollectible contributions for the years ended June 30, 2024 and 2023 was \$200,000 and \$200,000, respectively. The allowance is evaluated annually.

Other Receivables and Adoption of Current Expected Credit Losses (CECL)

The College adopted FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 236): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The College adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard had no impact on the financial statements but did change how the allowance for credit losses is determined.

The College uses historical loss information based on the aging of receivables and current economic conditions to determine expected credit losses. The credit losses for student accounts for the years ended June 30, 2024 and 2023 are expected to be \$30,000 and \$30,000, respectively. Current expected credit losses are evaluated annually, receivables are stated at net realizable value.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist primarily of print center paper supplies and facility storeroom supplies. Inventories are recorded at lower of cost or Net Realizable Value (NRV).

Fair Value Measurements

The College reports investments and trusts held by others at estimated fair value. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date.

Most of the College's investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset values (NAVs) reported by fund managers as a practical expedient for fair value measurements. GAAP allows such NAV measured investments to be excluded from the categories in the fair value hierarchy.

GAAP establishes a fair value hierarchy that prioritizes the inputs used to measure fair value into three levels:

Level 1 – Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities.

Level 2 – Observable prices that are based on inputs not quoted in active markets but corroborated by market data.

Level 3 – Unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives highest priority to Level 1 inputs and lowest priority to Level 3 inputs. In determining fair value, the College utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated depreciation. The College capitalizes equipment expenditures greater than \$10,000 and building expenditures greater than \$150,000. Depreciation is computed on the straight-line/half year method over the estimated useful lives of the assets:

		Original Cost 2024
Land	No Depreciation	\$ 2,493,728
Art	No Depreciation	2,258,066
Land Improvements	30 Years	5,982,316
Buildings and Building Improvements	20 to 40 Years	408,237,997
Library Books	10 Years	7,752,893
Equipment and Vehicles	3 to 5 Years	102,731,116
Construction in Progress	No Depreciation	50,974,514
Total Original Cost		<u>\$ 580,430,629</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The College received federal awards that are recorded as revenue as qualified reimbursable expenditures are incurred. No deferred revenue is recorded in advance of expenditures.

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.

Refundable Government Grants for Student Loans

Funds provided by the United States Government under the Federal Perkins Loan program were loaned to qualified students. Termination of the Federal Perkins Loan Program, requires these funds to be refunded to the government at periodic intervals.

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 perpetually restricted net assets, (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment.

Endowment funds include donor restricted net assets and funds designated by the Board of Trustees for long-term support of the College including, any accumulated income and appreciation thereon. Purpose 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. Perpetual restricted endowment net assets include those funds designated by donors to be invested in perpetuity to provide a permanent source of income.

Split-Interest Agreements

The College records three types of 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 with donor restriction, 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, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 with donor restriction. 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 with donor restriction. The value of the College's interest in the trusts is included in "Trusts Held by Others" on the balance sheets.

Advertising Expense

Advertising is expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$104,917 and \$88,505, respectively.

Net Student Fee Revenue

Tuition, room and board revenue is recognized in the reporting period in which the academic programs are delivered. Programs are delivered in three 10-week terms, Fall (September – November), Winter (January – mid March) and Spring (mid-March – mid-June). Need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Payments for tuition are due approximately one month prior to the start of classes each term.

Revenue from the Summer Liberal Arts Program, Summer Off-Campus study programs, Fall Global Engagement programs and Tuition Paid in Advance of the next academic year are recognized in the reporting period in which the academic program is delivered. Billing for these programs occurs during registration and revenue is recorded as deferred income until the programs are delivered.

First-year students secure their enrollment by paying a continuing enrollment deposit by May 1 for the following Fall academic term. Deposits are recorded as deferred income until the student graduates, at which time it is refunded to the student. Students who withdraw from the college forfeit their enrollment deposit.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measure of Operations

The College reports a change in net assets from operating activities including all operating revenue and expense that are an integral part of its programs and supporting activities including net assets released from donor restrictions to support operating expenditures, as well as investment returns allocated by the Board of Trustees to support operations as established by the endowment spending policy.

The measure of operations includes support for operating activities without donor restriction.

The measure of operations excludes support for nonoperating activities including investment returns in excess of amounts allocated to support current operations, changes in the market value of trusts held by others, changes in the fair value of planned giving agreements, and private gifts and grants restricted for long-term investment or capital projects.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

Income Taxes

The College is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and similar statutes of Minnesota law. It is exempt from income taxes on related income. The College files U.S. federal and various state tax returns on net unrelated business income.

The Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017, requires the College to pay an excise tax on net investment income for taxable years beginning after December 31, 2017 whenever the aggregate fair market value of assets at the end of the preceding taxable year is at least \$500,000 per student. The College recorded an estimated tax obligation of \$800,000 for the fiscal year ended June 30, 2024. Excise tax remitted for the period ended June 30, 2023 was \$771,988.

The College has evaluated its tax positions and determined it has no other uncertain tax positions that would have a material effect on the financial statements.

Leases

The College adopted FASB ASU No. 2016-12, *Leases*, in 2020. Leases are used infrequently to support operations and the implementation of the standard was determined to be immaterial, no assets or liabilities associated with leases have been recorded in the financial statements. Leases will continue to be evaluated on an annual basis and recorded according to the guidance provided in the standard should their use become material.

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Certain amounts appearing in the 2024 financial statements have been reclassified to conform with the 2023 presentation. The reclassifications have no effect on reported amounts of total net assets or change in total net assets.

Change in Accounting Principle

The College adopted FASB ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 236): Measurement of Credit Losses on Financial Instruments*, as amended, which modifies the measurement of expected credit losses. The College adopted this new guidance utilizing the modified retrospective transition method. The adoption of this Standard had no impact on the financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 8, 2024, the date the financial statements were available to be issued.

NOTE 2 INVESTMENTS AND FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Basis of Accounting

Investments include endowment, charitable gift annuities, pooled life income funds, and unrestricted operating investments. Investments are reported at estimated fair value. If an investment is held directly by the College and an active market with quoted prices exists, the market price of an identical security is used as reported fair value.

The majority of the College's investments are in shares or units of institutional commingled funds and investment partnerships invested in equity, fixed income, hedge funds, private equity, or real asset strategies. Hedge fund strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities for other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued by the investment manager accordingly. Private equity funds employ buyout, venture capital, and distressed credit strategies. Real asset and natural resource funds generally hold interest in private real estate, oil and gas partnerships, alternate energy partnerships, and mineral holdings.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Fair Value

As defined in Note 1, the College's interest in commingled investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the College. NAV is used as a practical expedient to estimate the fair value of the College's interest, in the absence of readily determinable fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2024, the College had no plans or intentions to sell investments at amounts different from NAV.

NAV measurements adhere to fair value accounting as required by ASC 820, *Fair Value Measurements and Disclosures*, however because of inherent uncertainties in valuation assumption, the estimated fair value for alternative investments such as private equity and private real estate may differ significantly from value that would have been used had a ready market existed. The valuations are determined by the fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sale prices, and other pertinent information.

The following tables summarize the College's investments by category and as applicable in their fair value hierarchy as of June 30:

2024					
	NAV Practical Expedient	Level 1	Level 2	Level 3	Total
Investments:					
Cash and Cash Equivalents	\$ -	\$ 11,064,420	\$ -	\$ -	\$ 11,064,420
Fixed Income	-	100,778,739	-	-	100,778,739
Public Equities	200,295,100	309,834,429	-	-	510,129,529
Private Equity	319,252,550	-	-	-	319,252,550
Hedge Funds	250,011,523	-	-	-	250,011,523
Real Estate and Other Real Assets	146,077,837	-	-	750,000	146,827,837
Planned Gift Agreements and Other	-	3,090,671	46,058,230	-	49,148,901
Total Investments	915,637,010	424,768,259	46,058,230	750,000	1,387,213,499
Trusts Held by Others	-	-	-	14,771,234	14,771,234
Total	<u>\$ 915,637,010</u>	<u>\$ 424,768,259</u>	<u>\$ 46,058,230</u>	<u>\$ 15,521,234</u>	<u>\$ 1,401,984,733</u>
2023					
	NAV Practical Expedient	Level 1	Level 2	Level 3	Total
Investments:					
Cash and Cash Equivalents	\$ -	\$ 8,828,022	\$ -	\$ -	\$ 8,828,022
Fixed Income	-	112,959,249	-	-	112,959,249
Public Equities	198,967,564	251,361,672	-	-	450,329,236
Private Equity	295,471,152	-	-	-	295,471,152
Hedge Funds	233,605,335	-	-	-	233,605,335
Real Estate and Other Real Assets	157,606,954	-	-	750,000	158,356,954
Planned Gift Agreements and Other	-	2,877,396	45,194,419	-	48,071,815
Total Investments	885,651,005	376,026,339	45,194,419	750,000	1,307,621,763
Trusts Held by Others	-	-	-	15,163,006	15,163,006
Total	<u>\$ 885,651,005</u>	<u>\$ 376,026,339</u>	<u>\$ 45,194,419</u>	<u>\$ 15,913,006</u>	<u>\$ 1,322,784,769</u>

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, 2024 AND 2023

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

Fair Value (Continued)

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 previously.

Level 3 assets are as follows:

	Real Estate and Other Real Assets	Trusts Held by Others	Total Investments
Balance as of June 30, 2023	\$ 750,000	\$ 15,163,006	\$ 15,913,006
Realized Gain	-	60,386	60,386
Unrealized Gain	-	1,222,161	1,222,161
Investment Income	36,593	353,692	390,285
Investment Expenses	-	(102,353)	(102,353)
New Investments and Capital Calls	-	400,067	400,067
Redemptions	(36,593)	(2,325,725)	(2,362,319)
Balance as of June 30, 2024	<u>\$ 750,000</u>	<u>\$ 14,771,234</u>	<u>\$ 15,521,234</u>

	Real Estate and Other Real Assets	Trusts Held by Others	Total Investments
Balance as of June 30, 2022	\$ 750,000	\$ 12,979,072	\$ 13,729,072
Realized Loss	-	(111,502)	(111,502)
Unrealized Gain	-	1,178,633	1,178,633
Investment Income	41,500	195,161	236,661
Investment Expenses	-	(103,312)	(103,312)
New Investments and Capital Calls	-	1,494,057	1,494,057
Redemptions	(41,500)	(469,103)	(510,603)
Balance as of June 30, 2023	<u>\$ 750,000</u>	<u>\$ 15,163,006</u>	<u>\$ 15,913,006</u>

Liquidity

The College routinely monitors liquidity required to meet its operating needs and other contractual commitments. The College considers all expenditures related to its ongoing activities of teaching, research, and public service as well as the conduct of services undertaken to support general institutional expenditures. Student loan receivables are not included in the analysis of liquidity as principal and interest on student loans are used solely to make new loans.

In addition to financial assets available to meet general expenditures, the College operates with a balanced operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Liquidity (Continued)

For purposes of analyzing resources, the College considers various sources of liquidity including cash and cash equivalents and investments. As of June 30, the following financial assets could readily be made available within one year of the balance sheet date to meet general expenditures:

	2024	2023
Cash and Cash Equivalents	\$ 26,013,327	\$ 22,848,148
Contributions for General Expenditures Due in One Year or Less	5,721,563	3,877,305
Grants Receivable	1,130,921	1,151,609
Accounts Receivable, Net	2,443,846	568,506
Investments	45,984,154	49,789,404
Investment Return Allocation Authorized	55,327,122	52,375,363
Total	<u>\$ 136,620,932</u>	<u>\$ 130,610,335</u>

Investment liquidity, as of June 30 is aggregated in the tables below based on redemption or sale period:

Balances as of June 30, 2024	Daily	Monthly	Quarterly	Semi-Annually	Annual	Illiquid	Total
Cash and Cash Equivalents	\$ 11,064,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,064,420
Fixed Income	100,778,738	-	-	-	-	-	100,778,738
Public Equities	309,834,429	49,515,024	67,770,084	-	80,497,285	2,512,708	510,129,530
Private Equity	-	-	-	-	-	319,252,550	319,252,550
Hedge Funds	-	22,259,123	130,947,392	45,294,182	35,040,633	16,470,193	250,011,523
Real Estate and Other Real Assets	-	-	-	-	-	146,827,836	146,827,836
Planned Gift Agreements and Other	-	-	-	-	-	49,148,902	49,148,902
Total Investments	<u>\$ 421,677,587</u>	<u>\$ 71,774,147</u>	<u>\$ 198,717,476</u>	<u>\$ 45,294,182</u>	<u>\$ 115,537,918</u>	<u>\$ 534,212,189</u>	<u>\$ 1,387,213,499</u>

Balances as of June 30, 2023	Daily	Monthly	Quarterly	Semi-Annually	Annual	Illiquid	Total
Cash and Cash Equivalents	\$ 8,828,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,828,022
Fixed Income	112,959,245	-	-	-	-	-	112,959,245
Public Equities	251,361,671	67,633,574	50,017,159	1,346,120	79,970,712	-	450,329,236
Private Equity	-	-	-	-	-	295,471,152	295,471,152
Hedge Funds	-	22,962,735	95,936,940	61,698,369	37,979,083	15,028,208	233,605,335
Real Estate and Other Real Assets	-	-	-	-	-	158,356,954	158,356,954
Planned Gift Agreements and Other	-	-	-	-	-	48,071,819	48,071,819
Total Investments	<u>\$ 373,148,938</u>	<u>\$ 90,596,309</u>	<u>\$ 145,954,099</u>	<u>\$ 63,044,489</u>	<u>\$ 117,949,795</u>	<u>\$ 516,928,133</u>	<u>\$ 1,307,621,763</u>

At June 30, 2024 and 2023, the College had outstanding commitments of \$254,382,825 and \$223,205,630, 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, drawdowns on outstanding commitments have been funded by distributions from the private capital portfolio, as well as cash and other liquid investments.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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

Liquidity (Continued)

At June 30, 2024 and 2023, the College had \$46,126,199 and \$42,919,934, 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 \$312,865 and \$307,271 as of June 30, 2024 and 2023. The average interest rate on the mortgages was 5.15%. This program was terminated in 2005, remaining mortgages mature between 2032 and 2035.

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT

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

	2024	2023
Land	\$ 2,493,728	\$ 2,493,728
Art	2,258,066	2,240,091
Land Improvements	5,982,316	5,982,316
Buildings and Building Improvements	408,237,997	398,783,584
Library Books	7,752,893	7,706,822
Equipment and Vehicles	102,731,116	101,248,164
Construction in Progress:		
Student Housing	42,093,184	8,412,411
Academic Building Renovations	675,940	-
Sustainability Initiatives	5,656,628	3,939,954
Other	2,548,762	2,685,641
Total	580,430,629	533,492,711
Less: Accumulated Depreciation	(187,509,256)	(173,926,258)
Property, Plant, and Equipment, Net	<u>\$ 392,921,373</u>	<u>\$ 359,566,453</u>

Total depreciation expense as of June 30, 2024 and 2023 was \$15,377,979 and \$14,838,965, respectively.

The College capitalizes collections when received. Collections of \$17,975 were received during the year ended June 30, 2024, no collections were received during the year ended June 30, 2023. These collection items are valued at fair market value at the date of donation and are not depreciated. Proceeds from items that are sold must be used for the acquisitions of new collection items, the direct care of existing collections, or both. Direct care may include cleaning, repair and/or climate control systems to support preservation.

Contributed nonfinancial assets, including land, buildings and equipment are presented separately from cash and other financial assets in the financial statements when they are material in nature. Nonfinancial assets are recognized at their appraised value.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 3 PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

During the fiscal year ended June 30, 2022 the college initiated an implementation of a new enterprise system, costs associated with implementation are being expensed as incurred. Total implementation costs are expected to exceed \$10 million during the period of implementation which will extend through fiscal year 2026.

NOTE 4 BONDS PAYABLE

Bonds payable at June 30, 2024 and 2023 consisted of the following bonds issued by the Minnesota Higher Education Facility Authority (MHEFA) on behalf of the College:

	2024	2023
Revenue Bonds, Series 2017	\$ 97,750,000	\$ 103,455,000
Revenue Bonds, Series 2023	60,495,000	-
Bonds Payable	158,245,000	103,455,000
Less: Unamortized Origination Costs	(973,227)	(545,637)
Plus: Unamortized Premium	16,595,830	11,323,890
Bonds Payable, Net	<u>\$ 173,867,603</u>	<u>\$ 114,233,253</u>

On May 24, 2017, MHEFA issued Series 2017 Fixed Rate Revenue and Refunding Bonds (the Bonds) in the amount of \$124,900,000 for the College. The Bonds include serial maturities through 2042, term bonds maturing in 2044 and 2047. The 2044 term bond has mandatory principal redemptions in 2043 – 2044 (final maturity) and the 2047 term bond has mandatory principal redemptions in 2045 – 2047 (final maturity). The Bonds are subject to optional redemption beginning March 1, 2027. Coupon rates range from 3.00% to 5.00% with a combination of premium bonds and one par bond. Yields range from .86% to 3.75%. The Bonds have a true interest cost (TIC) of 3.29%. Proceeds were used to refund previous debt and acquire new money proceeds of \$70,000,000 to finance construction and renovation of the Science Complex, redesign the campus utility infrastructure, and construct a music and performance addition to the Weitz Center for Creativity.

On September 7, 2023, MHEFA issued Series 2023 Fixed Rate Revenue Bonds in the amount of \$60,495,000 for the College. The Bonds include serial maturities through 2053. The Bonds are subject to optional redemption beginning March 1, 2033. Coupon rates are 5% with a combination of premium bonds. Yields range from 2.84% to 3.81%. The Bonds have a true interest cost (TIC) of 4.2%. Proceeds were used to finance construction of new Student Housing and a new Student Health and Counseling Center.

The Bond agreements contain various covenants regarding submission of financial statements and require notice of intent to issue additional debt.

On March 31, 2023, the College contracted for a \$10,000,000 Revolving Line of Credit. As of June 30, 2024 and 2023 no balance was outstanding and no draws were made during the fiscal year.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 4 BONDS PAYABLE (CONTINUED)

The scheduled maturities of debt in each of the five years subsequent to June 30, 2024 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 5,985,000
2026	6,285,000
2027	6,600,000
2028	6,920,000
2029	4,825,000
Thereafter	127,630,000
Total	<u><u>\$ 158,245,000</u></u>

NOTE 5 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES

Net assets with donor restriction are available for the following purposes as of June 30:

	<u>2024</u>	<u>2023</u>
Net Assets with Donor Restrictions:		
Program Support	\$ 33,534,725	\$ 35,376,644
Grants and Contracts	407,149	578,304
Henry Strong Loan Fund	374,934	377,736
Physical Plant Acquisitions	3,622,329	389,562
Outside Agency	94,995	126,053
Endowment	843,971,850	774,117,143
Split-Interest Agreements	37,211,421	35,015,768
Total Net Assets with Donor Restrictions	<u><u>\$ 919,217,403</u></u>	<u><u>\$ 845,981,210</u></u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 5 RESTRICTIONS AND LIMITATIONS ON NET ASSET BALANCES (CONTINUED)

Net assets were released from donor restrictions as expenses were incurred satisfying the restricted purposes or by the passage of time or the occurrence of other events specified by donors as follows for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Release of Restrictions:		
Operating:		
Scholarship Support	\$ 16,774,338	\$ 16,325,275
Annual Fund Support	-	61,095
Direct Gift Spending	17,706,771	12,909,387
Other Instructional Support	4,766,163	
Operating Budget Support	<u>22,741,150</u>	<u>28,143,132</u>
Total Operating Net Assets Released from Restriction	61,988,422	57,438,889
Nonoperating:		
Plant Construction	2,351,965	14,759,359
Change in Donor Designations	459,946	966,346
Matured Split-Interest Agreements	<u>985,535</u>	<u>243,340</u>
Total Nonoperating Net Assets Released from Restriction	<u>3,797,446</u>	<u>15,969,045</u>
Total Net Assets Released from Restriction	<u><u>\$ 65,785,868</u></u>	<u><u>\$ 73,407,934</u></u>

NOTE 6 ENDOWMENTS

The College endowment consists of 975 separately designated 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 month within which the transaction takes place.

The market value of endowment investments was \$1,255,379,173 and \$1,176,531,478 as of June 30, 2024 and 2023, respectively.

The annual endowment spending appropriation is approved by the Board of Trustees as part of the annual operating budget, in advance of the fiscal year to which it will apply. Endowment spending is defined as a per share dividend to be paid to endowment accounts based upon the number of shares held by each fund.

The annual spending in any fiscal year is calculated as follows: 70% of the allowable spending in the previous fiscal year, increased by 2%; plus 30% of the long-term spending rate of 4.95% applied to the 12-quarter market value average of the endowment unit value for the period ending June 30 of the year, one year prior to the start of the fiscal year. The allowable spending dividend in a fiscal year is limited to not more than 5.75% or not less than 3.75% of the market value of the endowment unit value for the period ending June 30 of the year, one year prior to the start of the fiscal year.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 ENDOWMENTS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Donor-Restricted Endowment Funds	\$ -	\$ 843,971,850	\$ 843,971,850
Board-Designated Endowment Funds	411,407,323	-	411,407,323
Total Endowment Funds	<u>\$ 411,407,323</u>	<u>\$ 843,971,850</u>	<u>\$ 1,255,379,173</u>

Changes in endowment net assets including contributions receivable for the endowment for the year ended June 30, 2024:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Fund Balance -			
June 30, 2023	\$ 402,414,335	\$ 774,117,143	\$ 1,176,531,478
Net Contributions	489,204	17,150,013	17,639,217
Investment Return	31,045,634	80,945,407	111,991,041
Appropriations	(22,826,734)	(29,245,582)	(52,072,316)
Other Changes:			
Transfers of Matured Deferred and			
Estates Gifts to Endowment Funds	-	885,697	885,697
Board-Designated Quasi Endowment	284,884	119,172	404,056
Total Other Changes	<u>284,884</u>	<u>1,004,869</u>	<u>1,289,753</u>
Endowment Fund Balance -			
June 30, 2024	<u>\$ 411,407,323</u>	<u>\$ 843,971,850</u>	<u>\$ 1,255,379,173</u>

Changes in endowment net assets including contributions receivable for the endowment for the year ended June 30, 2023:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Fund Balance -			
June 30, 2022	\$ 388,751,926	\$ 724,178,575	\$ 1,112,930,501
Net Contributions	1,047,978	11,398,191	12,446,169
Investment Return	23,113,944	74,498,263	97,612,207
Appropriations	(13,800,890)	(36,259,924)	(50,060,814)
Other Changes:			
Transfers of Matured Deferred and			
Estates Gifts to Endowment Funds	2,301,377	302,038	2,603,415
Board-Designated Quasi Endowment	1,000,000	-	1,000,000
Total Other Changes	<u>3,301,377</u>	<u>302,038</u>	<u>3,603,415</u>
Endowment Fund Balance -			
June 30, 2023	<u>\$ 402,414,335</u>	<u>\$ 774,117,143</u>	<u>\$ 1,176,531,478</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 6 ENDOWMENTS (CONTINUED)

The market value of assets associated with individual donor-restricted endowment funds may fall below the value of donor gift amounts, a financial condition described as underwater. Underwater endowments were \$13,622 and \$1,216,197 at June 30, 2024 and 2023, respectively. The College considers these deficits temporary and continued spending appropriations are deemed prudent.

NOTE 7 RETIREMENT PLAN

Retirement benefits for nonunion eligible employees are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association (TIAA). Under this agreement, the College and plan participants contribute to individual employee TIAA retirement accounts which fund individual retirement benefits. Total expenses for the College's share of the contributions were \$6,921,303 and \$6,604,754 in 2024 and 2023, respectively.

Union employees participate in a separate defined benefit plan with the Central Pension Fund.

NOTE 8 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:

	2024	2023
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 5,721,563	\$ 3,877,305
One Year to Five Years	7,885,802	12,706,129
Over Five Years	91,254	79,068
Gross Pledges Receivable	13,698,619	16,662,502
Less: Present Value Discount	(560,725)	(757,569)
Less: Allowance for Uncollectible Pledges		
Pledges Receivable, Net	<u>\$ 13,137,894</u>	<u>\$ 15,904,933</u>

Contributions receivable from board members and employees totaled \$3,422,068 and \$3,921,124 at June 30, 2024 and 2023, respectively.

Approximately 17.1% and 23.9% of gross contributions receivable were attributed to one contributor as June 30, 2024 and 2023, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 9 CREDIT QUALITY OF STUDENT NOTES RECEIVABLE

The College issues uncollateralized loans to students based on financial need. New student loans are funded through 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, 2024 and 2023, student loans represented less than 1% of total assets.

At June 30, student loans consisted of the following:

	2024	2023
Federal Government Programs	\$ 974,380	\$ 1,337,198
Henry Strong Loan Program	77,494	85,378
Institutional Loan Programs	559,040	585,885
Subtotal, Gross	1,610,914	2,008,461
Less: Allowance for Doubtful Accounts:	(155,000)	(155,000)
Student Loans Receivable, Net	<u>\$ 1,455,914</u>	<u>\$ 1,853,461</u>

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

	2024	2023
Current Loan Receivables	\$ 1,308,577	\$ 1,698,132
Past Due Loan Receivables:		
0 - 240 Days Past Due	92,892	143,769
240 Days - 2 Years Past Due	79,193	44,750
2 - 5 Years Past Due	48,252	69,779
5+ Years Past Due	82,000	52,031
Total Past Due	302,337	310,329
Total Student Loan Receivables, Gross	<u>\$ 1,610,914</u>	<u>\$ 2,008,461</u>

Funds advanced by the federal government of \$448,279 and \$195,008 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as liabilities on the balance sheets.

As of June 30, 2024 and 2023, the Perkins Cohort Default rate was 4.17% and 1.16%, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

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, 2024 and 2023 the remaining commitment on these contracts totaled \$46,182,493 and \$44,777,158, respectively reflecting the scale of the Student Housing and Student Health & Counseling Center under construction.

NOTE 11 SELF-INSURED MEDICAL BENEFITS AND WORKERS' COMPENSATION

The College provides medical benefits through a self-insured plan, which is available to all employees of the College who meet eligibility requirements. Accrued expenses include an incurred but not reported reserve of \$951,703 and \$921,936 as of June 30, 2024 and 2023, respectively. These reserves are 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 years ended December 31, 2023 and 2022, the College was self-insured with an aggregate stop-loss of \$10,446,634 and \$10,843,281, respectively.

As of June 30, 2024 and 2023, the College had net assets designated for health insurance benefits without donor restrictions of \$1,458,660 and \$2,540,916, respectively. These designated net assets are of the cumulative amount of College and employee contributions toward health insurance premiums in excess of expenses incurred over the life of the plan.

The College is self-insured for workers' compensation. As of June 30, 2024 and 2023, the College has recorded a liability of \$83,376 and \$40,800, respectively, for claims incurred but not yet reported. The Workers' Compensation Reinsurance Association (WCRA) provides stop-loss coverage for aggregate claims in excess of \$500,000.

The College has established a workers' compensation reserve as required by WCRA, which is included in Investments on the balance sheets, of \$566,494 and \$557,758 as of June 30, 2024 and 2023, respectively.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 12 NET STUDENT FEES

The College reports Net Student Fees reflecting the comprehensive fee nature of a residential campus. Carleton meets the demonstrated financial need of all admitted students with scholarship awards funded by donor restricted gifts from individuals, grants, endowment spending or from income without donor restriction.

	2024	2023
Tuition and Fees	\$ 132,733,235	\$ 125,800,273
Housing	15,847,636	15,030,403
Food Service	12,627,718	11,932,790
Less: Scholarships		
Funded by Restricted or Endowed Gifts	16,774,338	16,282,275
Funded by Grants	-	43,000
Funded by Income without Donor Restrictions	44,766,342	40,352,612
Total Scholarships	<u>61,540,680</u>	<u>56,677,887</u>
Net Student Fees	<u>\$ 99,667,909</u>	<u>\$ 96,085,579</u>

NOTE 13 DEFERRED INCOME AND DEPOSITS

The College reports Deferred Income for tuition and registration fees paid in advance of academic programs scheduled in the next fiscal year. Deposits include continuing enrollment deposits for students, employee rental deposits, deposits to the campus card program, and vendor deposits.

	Continuing Enrollment Deposits	Tuition Paid for Next Year	Summer Programs and Service Contracts	Other Deposits	Total
Balance at June 30, 2023	\$ 489,738	\$ 1,881,993	\$ 763,209	\$ 2,208,679	\$ 5,343,619
Revenue Recognized, Forfeited	(127,019)	(1,885,993)	(883,386)	(3,204,980)	(6,101,378)
Payments Received for Future					
Performance Obligations	135,000	930,064	1,919,450	3,073,148	6,057,662
Balance at June 30, 2024	<u>\$ 497,719</u>	<u>\$ 926,064</u>	<u>\$ 1,799,273</u>	<u>\$ 2,076,847</u>	<u>\$ 5,299,903</u>

	Continuing Enrollment Deposits	Tuition Paid for Next Year	Summer Programs and Service Contracts	Other Deposits	Total
Balance at June 30, 2022	\$ 481,995	\$ 3,014,081	\$ 602,373	\$ 1,784,084	\$ 5,882,533
Revenue Recognized, Forfeited	(134,307)	(3,015,081)	(922,386)	(1,936,288)	(6,008,062)
Payments Received for Future					
Performance Obligations	142,050	1,882,993	1,083,222	2,360,883	5,469,148
Balance at June 30, 2023	<u>\$ 489,738</u>	<u>\$ 1,881,993</u>	<u>\$ 763,209</u>	<u>\$ 2,208,679</u>	<u>\$ 5,343,619</u>

**CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION AND FUNCTION

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 activities (instruction, research, academic support, student services, and auxiliary enterprises) or support services (institutional management and fundraising) whenever possible. Expenses which are not directly identifiable by program or support service including operation and maintenance of plant expenses are allocated based on depreciation expense, interest expense is allocated based on the programs and/or supporting functions that directly benefit from the related debt issuance.

Expenses are categorized into functional expenses as follows:

- **Instruction** includes expenses for all activities that are part of the instructional program.
- **Research** includes expenses for activities specifically organized to produce research, whether funded by a federal grant or foundation or directly supported by the college or by an organizational unit.
- **Public Service** includes expense for activities specifically organized to support community engagement.
- **Academic Support** includes expenses for all activities that directly support the instructional programs of the college such as the library and technology services.
- **Student Services** are considered programmatic and include activities that contribute to student emotional and physical well-being and intellectual, cultural and social development outside the formal instructional program. HEERF funding received to support students who experienced a disruption to their educational program due to the COVID-19 global pandemic is reported here.
- **Auxiliary** include expenses relating to the operation of the auxiliary activities such as housing, dining services, printing and mailing, parking and transportation.
- **Support Activities** include centralized management and administrative support services such as executive management, fiscal operations, general administration and fundraising activities.

Expenses associated with the operation and maintenance of plant, depreciation and interest expense are allocated across all functional expense categories as follows:

- **Depreciation** expenses for buildings and equipment are allocated based on the use of the building.
- **Plant Operation and Maintenance** expenses for the administration, supervision, operation, maintenance, preservation and protection of the institutions physical plant follow depreciation allocations.
- **Interest Expense** are allocated based on the use of space benefiting from the original debt issue.

Program activity expense reflect the major activities of the institution for instruction, research, academic support, student services and auxiliary enterprises. Support activities include institutional management and fundraising.

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

**NOTE 14 EXPENSES BY FUNCTION AND NATURAL CLASSIFICATION AND FUNCTION
(CONTINUED)**

Expenses reported by function on the statement of activities and changes in net assets are summarized by natural classification:

	2024		
	Program Activities	Support Activities	Total
EXPENSES			
Salaries and Wages	\$ 63,229,985	\$ 11,228,915	\$ 74,458,900
Employee Benefits	20,331,911	4,965,627	25,297,538
Student Employment	5,121,955	275,456	5,397,411
Professional Services	8,018,125	3,516,117	11,534,242
Supplies	7,368,532	963,620	8,332,152
Library Electronic Subscriptions	4,039,841	-	4,039,841
Building Occupancy and Equipment	6,896,487	167,611	7,064,098
Utilities	2,891,475	3,147	2,894,622
Interest Expense	4,510,885	-	4,510,885
Depreciation	15,276,213	101,767	15,377,980
Dining Services	9,660,404	-	9,660,404
Travel	8,857,153	553,491	9,410,644
Meetings and Entertainment	978,389	214,537	1,192,926
Insurance	698,217	683,655	1,381,872
Other	2,703,519	1,436,314	4,139,833
Total Expenses	<u>\$ 160,583,091</u>	<u>\$ 24,110,257</u>	<u>\$ 184,693,348</u>

	2023		
	Program Activities	Support Activities	Total
EXPENSES			
Salaries and Wages	\$ 59,278,978	\$ 10,271,182	\$ 69,550,160
Employee Benefits	20,118,737	4,335,440	24,454,177
Student Employment	4,581,874	309,441	4,891,315
Professional Services	9,445,915	2,483,462	11,929,377
Supplies	6,731,099	1,246,896	7,977,995
Library Electronic Subscriptions	3,700,437	-	3,700,437
Building Occupancy and Equipment	6,675,083	273,952	6,949,035
Utilities	3,361,056	2,150	3,363,206
Interest Expense	4,785,792	-	4,785,792
Depreciation	14,734,106	104,859	14,838,965
Dining Services	9,132,578	-	9,132,578
Travel	8,037,733	613,199	8,650,932
Meetings and Entertainment	1,023,111	835,217	1,858,328
Insurance	757,418	731,676	1,489,094
Other	2,088,503	1,073,741	3,162,244
Total Expenses	<u>\$ 154,452,420</u>	<u>\$ 22,281,215</u>	<u>\$ 176,733,635</u>

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 15 SUPPLEMENTAL DISCLOSURES – U.S. DEPARTMENT OF EDUCATION

The College participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the College's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0.

The composite score for the year ended June 30, 2024 is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 473,702,878	
Total Expenses/Losses	\$ 184,905,534	<u>2.561864</u>

Equity Ratio:

Modified Net Assets	\$ 1,650,057,522	
Modified Assets	\$ 1,880,572,756	<u>0.877423</u>

Net Income Ratio:

Change in Net Assets Without Donor Restrictions	\$ 15,158,605	
Total Revenues/Gains	\$ 180,338,042	<u>0.0841</u>

RATIO	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	2.5619	3.0000	40%	1.2000
Equity Ratio	0.8774	3.0000	40%	1.2000
Net Income Ratio	0.0841	3.0000	20%	<u>0.6000</u>
				3.0000

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 15 SUPPLEMENTAL DISCLOSURES – U.S. DEPARTMENT OF EDUCATION (CONTINUED)

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets		June 30, 2024
1	Net assets with donor restrictions: restricted in perpetuity	\$ 843,971,850
2	Other net assets with donor restrictions (not restricted in perpetuity):	
a.	Annuities with donor restrictions	
b.	Term endowments	
c.	Life income funds (trusts)	
d.	Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ 37,211,421</u>
Property, Plant, and Equipment, net		
3	Pre-implementation property, plant, and equipment, net	
a.	Ending balance of pre-implementation as of June 30, 2022	\$ 285,849,681
b.	Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c.	Less subsequent depreciation and disposals (net of accumulated depreciation)	
d.	Balance pre-implementation property, plant, and equipment, net	<u>285,849,681</u>
4	Debt financed post-implementation property, plant, and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2019:	
a.	Equipment	-
b.	Land improvements	-
c.	Building	-
d.	Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5	Construction in progress - acquired subsequent to June 30, 2019	-
6	Post-implementation property, plant, and equipment, net, acquired without debt:	
a.	Long-lived assets acquired without use of debt subsequent to June 30, 2019	107,071,692
7	Total Property, Plant, and Equipment, net - June 30, 2023	<u>\$ 392,921,373</u>
Debt to be excluded from expendable net assets		
8	Pre-implementation debt:	
a.	Ending balance of pre-implementation as of June 30, 2022	\$ 108,895,000
b.	Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c.	Less subsequent debt repayments	<u>(5,705,000)</u>
d.	Balance Pre-implementation Debt	103,190,000
9	Allowable post-implementation debt used for capitalized long-lived assets:	
a.	Equipment - all capitalized	-
b.	Land improvements	-
c.	Buildings	60,495,000
d.	Balance Post-implementation Debt	<u>60,495,000</u>
10	Construction in progress (CIP) financed with debt or line of credit	-
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	-
		<u>\$ 158,245,000</u>

12 Terms of current year debt and line of credit for PPE additions:

	Issue Date	Maturity Date	Nature of Capitalized Amounts	Amount Capitalized
a.	Sep 25, 2019	Sep 25, 2024	Equipment	\$ -
b.	Sep 25, 2019	Sep 25, 2024	Land improvements	\$ -
c.	Sep 25, 2019	Sep 25, 2024	Buildings	\$ -
		5 year term (from original maturity)		

CARLETON COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

NOTE 15 SUPPLEMENTAL DISCLOSURES – U.S. DEPARTMENT OF EDUCATION (CONTINUED)

Lease right-of-use assets and liabilities

13	Lease right-of-use assets	
	Right-of-use assets as of balance sheet date June 20, 2020	\$ -
14	Lease right-of-use assets - Pre-implementation	
	Right-of-use assets as of balance sheet date June 20, 2020, excluding leases entered into before December 15, 2018	\$ -
15	Lease right-of-use assets - Post-implementation	
	Right-of-use assets as of balance sheet date June 20, 2020, excluding leases entered into on or after December 15, 2018	\$ -
16	Lease right-of-use liability	
	Lease liabilities as of balance sheet date June 20, 2020	\$ -
17	Lease right-of-use liability - Pre-implementation	
	Lease liabilities as of balance sheet date June 20, 2020, excluding leases entered into before December 15, 2018	\$ -
18	Lease right-of-use liability - Post-implementation	
	Lease liabilities as of balance sheet date June 20, 2020, excluding leases entered into on or after December 15, 2018	\$ -

Unsecured related-party receivables

19	Secured related-party receivables	\$ -
20	Unsecured related party receivables	3,422,038
21	Total secured and unsecured related-party receivables	<u>\$ 3,422,038</u>

Sale of fixed assets (if loss)

22	Loss on sale of fixed assets	\$ 212,187
23	Remaining balances in expense category in which loss on sale of assets is included on SOA	-
24	Expense category in which loss on sale of assets is included on SOA	<u>\$ 212,187</u>

Sale of fixed assets (if gain)

25	Gain on sale of fixed assets	\$ -
26	Re	-
27	Other income category in which gain on sale of assets is included on SOA	<u>\$ -</u>

CARLETON COLLEGE
FINANCIAL RESPONSIBILITY RATIO SUPPLEMENTAL SCHEDULE
YEAR ENDED JUNE 30, 2024

Primary Reserve Ratio:		June 30, 2024
	Expendable Net Assets:	
Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 734,262,157
SFP	Net assets with donor restrictions	\$ 919,217,403
SFP or Supplemental Disclosure (SD) Line 1	Net assets restricted in perpetuity	\$ 843,971,850
Note 15 Line 20	Unsecured related-party receivable	\$ 3,422,038
Note 15 Line 2d	Donor restricted annuities, term endowments, life income funds excluding net assets restricted in perpetuity	\$ 37,211,421
Note 15 Line 3d	Property, plant, and equipment pre-implementation	\$ 323,768,646
Note 15 Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ -
Note 15 Line 5	Construction in progress purchased with long-term debt	\$ -
Note 15 Line 35	Post-implementation property, plant and equipment, net, acquired without debt	\$ 196,166,983
Note 15 Line 14	Lease right-of-use asset, post-implementation	\$ -
Note 15 Line 15	Lease right-of-use asset, post-implementation	\$ -
SFP	Intangible assets	\$ -
SFP	Post-employment and pension liabilities	\$ -
Note 15 Line 8d	Long-term debt - for long-term purposes pre-implementation	\$ 97,750,000
Note 15 Line 9d	Long-term debt - for long-term purposes post-implementation	\$ 158,245,000
Note 15 Line 10	Line of credit for construction in progress	\$ -
Note 15 Line 17	Pre-implementation right-of-use asset liability	\$ -
Note 15 Line 18	Post-implementation right-of-use asset liability	\$ -
	Total Expenses and Losses:	
Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 184,693,347
SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
Note 15 Line 22	Sale of fixed assets (if loss)	\$ 212,187
SOA	Change in value of interest-rate swap agreements (if loss)	\$ -
	Equity Ratio:	
	Modified Net Assets:	
SFP	Net assets without donor restrictions	\$ 734,262,157
SFP	Net assets with donor restrictions	\$ 919,217,403
SFP	Intangible assets	\$ -
Note 15 Line 20	Unsecured related-party receivables	\$ 3,422,038
	Modified Assets:	
SFP	Total assets	\$ 1,883,994,794
Note 15 Line 14	Lease right-of-use asset pre-implementation	\$ -
SFP	Intangible assets	\$ -
Note 15 Line 20	Unsecured related-party receivables	\$ 3,422,038
	Net Income Ratio:	
SOA Line 14	Change in Net Assets Without Donor Restrictions	\$ 15,158,605
	Total Revenues and Gains:	
SOA Line 13	Total operating revenue (including net assets released from restrictions)	\$ 180,338,042
SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized)	\$ 41,293,722
SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -
SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
Note 15 Line 25	Sale of fixed assets (if gain)	\$ -
SOA	Other gains	\$ -

