To The Academy Community,

The Academy’s fiscal year ending June 30, 2015, was one of continued financial health and stability, allowing the Academy to hold tuition flat in the 2016 fiscal year.

The management of Academy finances has continued to be guided by a commitment to long-term stewardship of our resources for future generations to ensure that Exeter remains accessible and affordable to future Exonians. The end of the fiscal year marked the retirement of our 14th principal, Tom Hassan. Under Principal Hassan’s leadership, we completed fundraising for a new music building expansion and began construction, and finalized planning for a new center for theater and dance and other improvements to the south campus. Active fundraising has continued for these exciting projects.

The Academy continued its strong commitment to supporting our outstanding faculty and staff by offering competitive salaries and benefits, as well as exceptional professional development opportunities. We remained firmly committed to our financial aid program, awarding over $20.9 million to nearly 50% of our student body. We also offered our students opportunities to see the world, with a record number attending global programs, including a chamber orchestra and concert choir tour to Asia. Our commitment to global enrichment helps prepare students to learn in an increasingly complex world. In fiscal year 2015, one third of our students — over 300 Exonians — participated in 38 travel experiences on four continents, organized through our Global Initiatives Office. Further, we continued to invest in our infrastructure to ensure that the Academy remains a world-class campus, including a complete renovation to Wheelwright Hall.

In 2015, we enjoyed a year of positive investment returns. Although the global economy slowed significantly in the last fiscal year, the Academy’s endowment returned 3.3% for the one-year period, with a value of $1.2 billion on June 30, 2015. The annual income from the endowment funds more than half of our annual operating costs — providing resources to support the Academy’s mission, as well as our vision for the future. With continued success in The Exeter Fund, we raised $7.2 million in new, unrestricted cash and pledges.

We continue to thank our many donors who provide critical resources that allow us to give an unmatched educational experience. Without such support, we would not be able to offer the exceptional education for which Exeter is so well known.

This following report provides additional detail on the FY2015 financial results, as well as an overview of admissions, financial aid, philanthropy, and the endowment.

Lisa MacFarlane     David Hanson
Principal     Chief Financial Officer
FY2015: A Closer Look

Operating Results
The Academy finished FY2015 with operating revenue of $95.2 million and expenses of $95.1 million, resulting in a $147 thousand operating surplus, which the Trustees voted to transfer to unrestricted quasi endowment.

In Fiscal Year 2015 endowment revenue supported 53% of the Academy’s operating expenses with an additional 9% of expenses funded by contributions to the Exeter Fund and other gifts for current operations. Between the endowment and current use gifts, past and present donors collectively support 61% of the resources necessary to provide students with the unsurpassed opportunities Exeter affords.

The Academy recruits world class instructors and scholars offering competitive compensation, benefits and expansive professional development opportunities to facilitate a broad curriculum and enriching academic, athletic and global learning experience for students. Costs of compensating and providing benefits to our employees comprise nearly 16% of operating expenses.

Other expenses supporting the Exeter Experience include taxes, utilities, insurance, interest, academic and student support, dining services, information technology services and facilities management costs. Furthermore, the Academy continues to invest in the capital renewal of our physical plant and technology infrastructure accounting for nearly 19% of FY2015 operating expenses. This commitment provides the funding necessary to maintain these critical resources for future Exonians.

2014-15 Revenue Sources

- Endowment 52%
- Net Tuition 31%
- Exeter Fund & Gifts 9%
- Other 8%
Capital Expenditures
Capital and Technology related projects totaled $15.6 million with $1.4 million and $1.6 million spent on Physical Plant and Technology respectively. Sources of funds for these projects include the operating budget and donations. This year the Facilities Management Team executed over 75 projects including renovations to Wheelwright Hall, relocation of several tennis courts in preparation for the Center for Theater and Dance Facility, completion of the Hatch Turf Field and Downer Family Fitness Center. Technology related projects included completing a 5-year ITS strategic plan and relocating the network operations center to an outsourced facility.

Admissions and Financial Aid
Completed applications to the Academy for the fall of 2014 were 2,358. Admissions at Exeter continue to be very selective with an admit rate of only 19.2%.

Financial aid for non-employee children and tuition remission for children of faculty and staff in total exceeded $20.9 million this year allowing 49% of the student body to attend the Academy on financial aid.

Philanthropy
Donors to Exeter gave or committed $24 million to the Academy during FY2015, including $7.1 million to the Exeter Fund. Endowment gifts totaled $6.9 million. The balance was made up of current restricted giving, gifts for facilities, and planned gifts.
Endowment
The endowment is a critical resource for Exeter, providing 53% of the revenue needed to run the school. The endowment is made up of approximately 1,400 funds established by alumni, parents and friends who want to provide permanent support to the Academy. Roughly 78% of these funds have been restricted by their donors to a specific purpose, meaning that the income from those funds can only be used to support the programs to which the donor(s) restricted their gifts. Therefore, while the endowment provides 53% of the annual revenue for the school, only about 22% of that revenue is unrestricted and available for new programs.

Restricted funds are utilized to support the programs to which the funds have been designated by their donors. As part of the process of matching fund revenues to programmatic expenses, the Academy assesses an associated program costs charge of up to 10% of the total amount spent from the fund. The associated program costs charge helps to defray costs which must be incurred in order for the program to function, but which are not directly allocated to the program’s budget. Examples include the costs of facilities, technology, and administrative support.

The endowment’s investments are overseen by Exeter’s Investment Committee, made up of current and former trustees, as well as non-trustee alumni, all of whom have significant investment and financial expertise. The investments of the endowment are managed to provide for the long-term needs of the Academy. Attention is paid to minimizing the volatility of returns, in order to reduce the stress on the operating budget. Exeter’s investment strategy accomplishes this by having a mix of asset classes and investment strategies that are relatively uncorrelated. Investment performance is not expected to fully correlate with the stock market, lagging in rising markets and outperforming in softer markets. The actual endowment asset allocation as of June 30 2015, is below:

Endowment Asset Allocation at 6/30/15

- U.S. Equity 11%
- Global Equity 20%
- Absolute Return 20%
- Long/Short Equity 21%
- Private Equity 8%
- Real Assets 13%
- Cash 7%
As of June 30, 2015, the market value of the endowment was $1.2 billion. The investment return for FY2015 was 3.3%. The committee is pleased with the diversification of assets, which combined with the selection of quality managers, has provided strong results over the last decade.

Exeter’s endowment spending policy and investment strategy share a goal of minimizing the volatility of endowment revenue available to fund operating expenses. Exeter’s endowment spending policy, in place since the 1990s, is designed to achieve two critical goals:

1. maintain purchasing power; and,
2. providing consistent support to the operating budget.

The amount spent in any one year is based 80% on the prior year’s spending (increased by inflation) and 20% on the market value of the endowment (as determined by a four-quarter trailing average) multiplied by our endowment draw rate of 5.0%.

This formula slows down, or buffers, the effect of any market rise or fall on what is spent from the endowment to support operations, because 80% of what is spent is determined by the amount spent in the prior year, not the current market value of the endowment. Therefore, the full effect of a downturn or rise in the market should not immediately impact Exeter’s operating budget. Rather the impact will gradually phase in over multiple years.

<table>
<thead>
<tr>
<th></th>
<th>Investment Return</th>
<th>Custom Benchmark*</th>
<th>CA Endowment Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 Year</td>
<td>7.5%</td>
<td>4.9%</td>
<td>6.5%</td>
</tr>
<tr>
<td>5 Year</td>
<td>10.1%</td>
<td>13.1%</td>
<td>9.3%</td>
</tr>
<tr>
<td>3 Year</td>
<td>11.0%</td>
<td>14.3%</td>
<td>9.6%</td>
</tr>
<tr>
<td>1 Year</td>
<td>3.3%</td>
<td>1.4%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
## Phillips Exeter Academy - Statistical Overview

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tuition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boarding</td>
<td>$39,890</td>
<td>$41,800</td>
<td>$44,470</td>
<td>$46,030</td>
<td>$46,030</td>
</tr>
<tr>
<td>Day</td>
<td>$30,820</td>
<td>$32,470</td>
<td>$34,540</td>
<td>$35,750</td>
<td>$35,750</td>
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<tr>
<td><strong>Enrollment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boarders</td>
<td>860</td>
<td>857</td>
<td>858</td>
<td>866</td>
<td>851</td>
</tr>
<tr>
<td>Day</td>
<td>202</td>
<td>203</td>
<td>213</td>
<td>216</td>
<td>209</td>
</tr>
<tr>
<td>Total Enrollment</td>
<td>1,062</td>
<td>1,060</td>
<td>1,071</td>
<td>1,082</td>
<td>1,060</td>
</tr>
<tr>
<td><strong>Admissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applications</td>
<td>3,089</td>
<td>2,964</td>
<td>3,068</td>
<td>2,866</td>
<td>2,121</td>
</tr>
<tr>
<td>Percentage Accepted</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
<td>18%</td>
<td>18%</td>
</tr>
<tr>
<td>Percentage Enrolled</td>
<td>69%</td>
<td>69%</td>
<td>69%</td>
<td>70%</td>
<td>68%</td>
</tr>
<tr>
<td><strong>Financial Aid</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Students on Aid</td>
<td>524</td>
<td>500</td>
<td>503</td>
<td>508</td>
<td>517</td>
</tr>
<tr>
<td>Percentage on Aid</td>
<td>49%</td>
<td>47%</td>
<td>47%</td>
<td>47%</td>
<td>49%</td>
</tr>
<tr>
<td>Total Financial Aid</td>
<td>$17,380</td>
<td>$17,494</td>
<td>$18,893</td>
<td>$19,606</td>
<td>$20,933</td>
</tr>
<tr>
<td><em><em>Philanthropy</em> (000's)</em>*</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual - Unrestricted</td>
<td>$7,595</td>
<td>$7,142</td>
<td>$6,858</td>
<td>$7,269</td>
<td>$7,184</td>
</tr>
<tr>
<td>Annual - Restricted</td>
<td>$1,349</td>
<td>$1,195</td>
<td>$2,040</td>
<td>$1,611</td>
<td>$1,263</td>
</tr>
<tr>
<td>Endowment</td>
<td>$17,501</td>
<td>$10,851</td>
<td>$5,741</td>
<td>$5,576</td>
<td>$5,847</td>
</tr>
<tr>
<td>Facilities</td>
<td>$121</td>
<td>$1,826</td>
<td>$1,204</td>
<td>$9,243</td>
<td>$8,708</td>
</tr>
<tr>
<td>Deferred Gifts</td>
<td>$2,199</td>
<td>$3,941</td>
<td>$5,835</td>
<td>$1,261</td>
<td>$1,057</td>
</tr>
<tr>
<td><strong>Endowment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowment Value (000's)</td>
<td>$984,202</td>
<td>$994,386</td>
<td>$1,089,010</td>
<td>$1,224,029</td>
<td>$1,217,572</td>
</tr>
</tbody>
</table>

* Gift totals will differ from those shown in audited financial statements, primarily because of treatment of pledges.
### PHILLIPS EXETER ACADEMY STATEMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014 (in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$6,327</td>
<td>$6,506</td>
</tr>
<tr>
<td>Receivables and other assets, net (Note B)</td>
<td>4,308</td>
<td>3,960</td>
</tr>
<tr>
<td>Contributions receivable, net (Note C)</td>
<td>3,858</td>
<td>5,064</td>
</tr>
<tr>
<td>Investments, at fair value (Note E)</td>
<td>1,197,315</td>
<td>1,207,240</td>
</tr>
<tr>
<td>Split Interest Agreements (Note H)</td>
<td>62,432</td>
<td>62,822</td>
</tr>
<tr>
<td>Cash restricted to investment in land, buildings and equipment</td>
<td>17,888</td>
<td>9,208</td>
</tr>
<tr>
<td>Land, buildings and equipment (Note I)</td>
<td>226,626</td>
<td>216,536</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$1,518,754</td>
<td>$1,511,336</td>
</tr>
</tbody>
</table>

| **Liabilities:**       |          |          |
| Accounts payable and other liabilities (Note J) | $24,461  | $20,418  |
| Deferred revenues and deposits | 20,141   | 18,697   |
| Liabilities associated with split interest agreements (Note H) | 32,110   | 32,387   |
| Pension and other employment related obligations (Note K) | 20,267   | 19,439   |
| Bonds payable (Note L) | 50,000   | 50,000   |
| **Total liabilities**  | 146,979  | 140,941  |

| **Net assets (Note M):** |          |          |
| Unrestricted             | 330,673  | 328,652  |
| Temporarily restricted   | 729,256  | 732,990  |
| Permanently restricted   | 311,846  | 308,753  |
| **Total net assets (Note M)** | 1,371,775 | 1,370,395 |
| **Total liabilities and net assets** | $1,518,754 | $1,511,336 |
### PHILLIPS EXETER ACADEMY STATEMENT OF ACTIVITIES

For Year Ended June 30, 2015, with summarized financial information for the year ended June 30, 2014 (in thousands)

<table>
<thead>
<tr>
<th>Operating</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue and support:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition</td>
<td>$49,023</td>
<td>$ -</td>
<td>$ -</td>
<td>$49,023</td>
<td>$48,774</td>
</tr>
<tr>
<td>Less scholarships</td>
<td>20,933</td>
<td>-</td>
<td>-</td>
<td>20,933</td>
<td>19,605</td>
</tr>
<tr>
<td>Net tuition</td>
<td>28,090</td>
<td>-</td>
<td>-</td>
<td>28,090</td>
<td>29,169</td>
</tr>
<tr>
<td>Auxiliary and summer programs, net</td>
<td>7,296</td>
<td>-</td>
<td>-</td>
<td>7,296</td>
<td>7,006</td>
</tr>
<tr>
<td>Endowment distributed under spending policy</td>
<td>8,155</td>
<td>41,973</td>
<td>-</td>
<td>50,128</td>
<td>47,996</td>
</tr>
<tr>
<td>Other endowment spending</td>
<td>779</td>
<td>170</td>
<td>-</td>
<td>949</td>
<td>810</td>
</tr>
<tr>
<td>Gifts and grants</td>
<td>7,096</td>
<td>1,568</td>
<td>-</td>
<td>8,664</td>
<td>8,814</td>
</tr>
<tr>
<td>Other sources</td>
<td>652</td>
<td>-</td>
<td>-</td>
<td>652</td>
<td>724</td>
</tr>
<tr>
<td><strong>Total operating revenue and support before releases from restrictions</strong></td>
<td>52,068</td>
<td>43,711</td>
<td>-</td>
<td>95,779</td>
<td>94,519</td>
</tr>
<tr>
<td><strong>Restrictions released (Note A)</strong></td>
<td>43,202</td>
<td>(43,202)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating revenue and support</strong></td>
<td>95,270</td>
<td>509</td>
<td>-</td>
<td>95,779</td>
<td>94,519</td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Instructional support</td>
<td>38,169</td>
<td>-</td>
<td>-</td>
<td>38,169</td>
<td>37,158</td>
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<tr>
<td>Student services</td>
<td>23,627</td>
<td>-</td>
<td>-</td>
<td>23,627</td>
<td>24,007</td>
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<tr>
<td>Institutional support</td>
<td>13,289</td>
<td>-</td>
<td>-</td>
<td>13,289</td>
<td>11,771</td>
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<tr>
<td>Development and alumni/ae affairs</td>
<td>6,298</td>
<td>-</td>
<td>-</td>
<td>6,298</td>
<td>6,575</td>
</tr>
<tr>
<td>Food services</td>
<td>5,204</td>
<td>-</td>
<td>-</td>
<td>5,204</td>
<td>5,195</td>
</tr>
<tr>
<td>Auxiliary and summer programs</td>
<td>6,849</td>
<td>-</td>
<td>-</td>
<td>6,849</td>
<td>6,574</td>
</tr>
<tr>
<td>Interest and fees</td>
<td>1,687</td>
<td>-</td>
<td>-</td>
<td>1,687</td>
<td>1,704</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>95,123</td>
<td>-</td>
<td>-</td>
<td>95,123</td>
<td>92,984</td>
</tr>
<tr>
<td><strong>Increase in net assets from operations</strong></td>
<td>147</td>
<td>509</td>
<td>-</td>
<td>656</td>
<td>1,535</td>
</tr>
<tr>
<td><strong>Non-operating:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Physical capital:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>-</td>
<td>8,430</td>
<td>-</td>
<td>8,430</td>
<td>9,138</td>
</tr>
<tr>
<td>Non-capitalized expenditures</td>
<td>(1,671)</td>
<td>-</td>
<td>-</td>
<td>(1,671)</td>
<td>(1,504)</td>
</tr>
<tr>
<td>Operating allocation for capital renewal and replacement</td>
<td>18,007</td>
<td>-</td>
<td>-</td>
<td>18,007</td>
<td>20,165</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(10,264)</td>
<td>-</td>
<td>-</td>
<td>(10,264)</td>
<td>(9,834)</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>725</td>
<td>(725)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
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<td>Reclassifications and other increases (decreases)</td>
<td>180</td>
<td>1</td>
<td>-</td>
<td>181</td>
<td>124</td>
</tr>
<tr>
<td><strong>Increase in net assets from physical capital activities</strong></td>
<td>6,977</td>
<td>7,706</td>
<td>-</td>
<td>14,683</td>
<td>16,089</td>
</tr>
<tr>
<td><strong>Financial capital:</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>394</td>
<td>708</td>
<td>5,328</td>
<td>6,430</td>
<td>5,951</td>
</tr>
<tr>
<td>Total endowment return, net of management fees</td>
<td>6,181</td>
<td>32,685</td>
<td>(15)</td>
<td>38,851</td>
<td>168,716</td>
</tr>
<tr>
<td>Endowment distributed under spending policy</td>
<td>(8,155)</td>
<td>(41,973)</td>
<td>-</td>
<td>(50,128)</td>
<td>(47,996)</td>
</tr>
<tr>
<td>Other endowment spending</td>
<td>(779)</td>
<td>(170)</td>
<td>-</td>
<td>(949)</td>
<td>(810)</td>
</tr>
<tr>
<td>Change in value in funds held for deferred giving</td>
<td>-</td>
<td>456</td>
<td>(186)</td>
<td>270</td>
<td>741</td>
</tr>
<tr>
<td>Reclassifications and other increases (decreases)</td>
<td>128</td>
<td>(3,655)</td>
<td>(2,034)</td>
<td>(5,561)</td>
<td>(32,327)</td>
</tr>
<tr>
<td><strong>Increase (decrease) in net assets from financial capital activities</strong></td>
<td>(2,231)</td>
<td>(11,949)</td>
<td>3,093</td>
<td>(11,087)</td>
<td>94,275</td>
</tr>
<tr>
<td><strong>Other non-operating:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension related charges other than net periodic pension cost</td>
<td>(108)</td>
<td>-</td>
<td>-</td>
<td>(108)</td>
<td>(7,172)</td>
</tr>
<tr>
<td>Unrealized loss related to interest swap agreement</td>
<td>(3,203)</td>
<td>-</td>
<td>-</td>
<td>(3,203)</td>
<td>(1,033)</td>
</tr>
<tr>
<td>Other increases</td>
<td>439</td>
<td>-</td>
<td>-</td>
<td>439</td>
<td>435</td>
</tr>
<tr>
<td><strong>(Decrease) in net assets from other non-operating activities</strong></td>
<td>(2,872)</td>
<td>-</td>
<td>-</td>
<td>(2,872)</td>
<td>(7,770)</td>
</tr>
<tr>
<td><strong>(Decrease) increase in net assets from total non-operating activities</strong></td>
<td>1,874</td>
<td>(4,243)</td>
<td>3,093</td>
<td>724</td>
<td>102,594</td>
</tr>
<tr>
<td><strong>Net increase/(decrease) in net assets</strong></td>
<td>2,021</td>
<td>(3,734)</td>
<td>3,093</td>
<td>1,380</td>
<td>104,129</td>
</tr>
<tr>
<td><strong>Net assets at beginning of year</strong></td>
<td>328,652</td>
<td>732,990</td>
<td>308,753</td>
<td>1,370,395</td>
<td>1,266,266</td>
</tr>
<tr>
<td><strong>Net assets at end of year</strong></td>
<td>$330,673</td>
<td>$729,256</td>
<td>$311,846</td>
<td>$1,371,775</td>
<td>$1,370,395</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.