



FOR MEMBERS
OF THE BARTLETT
TOWER SOCIETY

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COLLEGE FINANCES – ALWAYS OF INTEREST

College finances frequently pique the interest of alumni and friends of the College, and as such, the subject often arises in conversations with volunteers or staff. There is no question that the recent national recession has had an impact on Dartmouth's budget. This, in turn, raised appropriate concerns about the ability of Dartmouth College to maintain and to build upon its superlative academic programs.

Fortunately, Dartmouth has an administrative and financial management team of the highest quality. In fact, a national institutional investment consultant recently placed Dartmouth's financial returns in the top 5% of 129 major colleges and universities studied.

THE ENDOWMENT

The Dartmouth community did see a decline in the market value of the College's endowment from a high of nearly \$2.5 billion in fiscal year 2000 to \$2.1 billion in fiscal year 2003. These results reflect both modest negative investment returns for fiscal years 2001 and 2002 and the endowment's spending policies in support of the Institution's operating budget. For example, as described in the Dartmouth College 2003 Annual Report, in fiscal year 2003 "Dartmouth's endowment produced a positive 2.0% return... however, this positive return was not sufficient to cover the 5.4% distributed from the endowment to support the College's operating budget."

Taking a longer view, however, shows a much brighter picture. For example, looking back over the past five fiscal years, as the table below shows, Dartmouth's endowment has increased by \$601.5 million, a healthy 40% growth.

DARTMOUTH COLLEGE 5 YEAR ENDOWMENT GROWTH JUNE 30, 1998 THROUGH JUNE 30, 2003 (IN MILLIONS)

BEGINNING MARKET VALUE 6/30/98	1,519.7
NET INVESTMENT RETURN (APPRECIATION & INCOME)	910.2
DISTRIBUTED FOR SPENDING	494.4
NET GAIN BEFORE ADDITIONS / TRANSFERS	415.8
GIFTS & BEQUESTS	125.7
TRANSFERS FROM LIFE INCOME TRUSTS	29.4
TOTAL ADDITIONS	155.1
INTERFUND TRANSFERS INTO ENDOWMENT	30.6
TOTAL ADDITIONS / TRANSFERS	185.7
TOTAL NET 5-YEAR INCREASE IN MARKET VALUE	601.5
ENDING MARKET VALUE 6/30/03	2,121.2

Even better, Dartmouth's endowment through the first half of this fiscal year has grown by another \$200 million, thanks to the generosity of the Dartmouth family and successful investing.



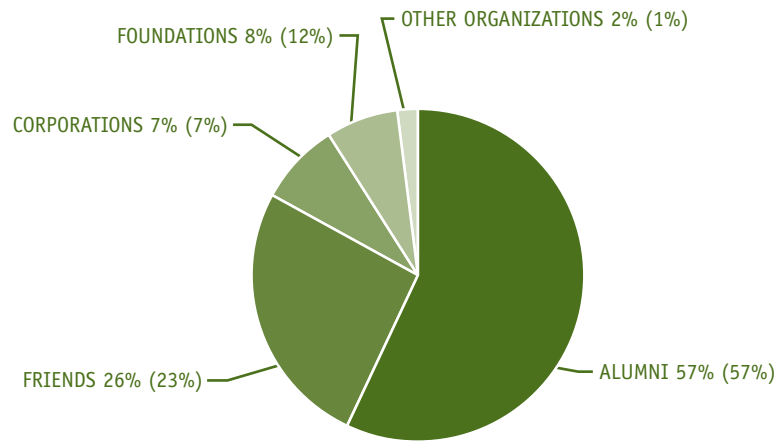
Issue: *Spring 2004*

TOWER NOTES

OTHER SOURCES OF SUPPORT

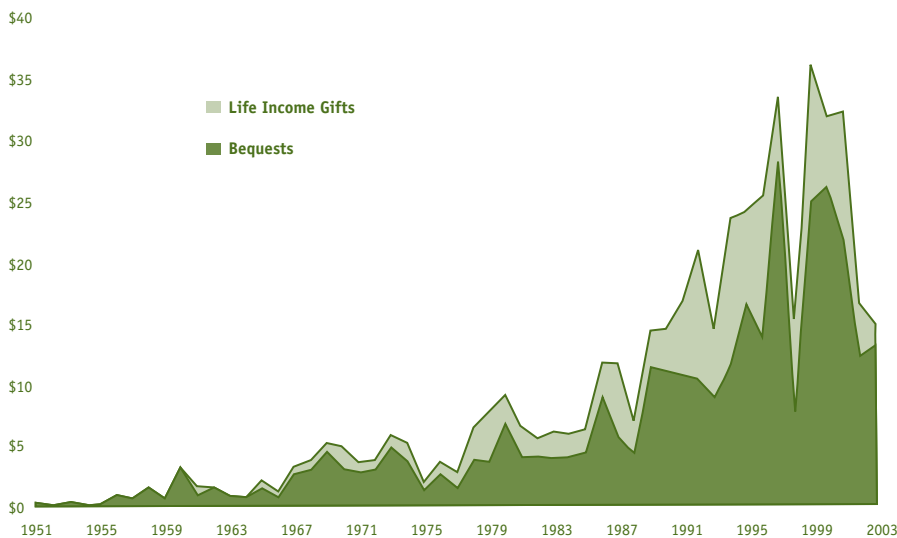
Income from the endowment to is, of course, extremely important, representing 29% of the income to support the operating budget in FY2003. However, it is not the only source of funds. Philanthropy from alumni, parents and friends as well as foundations and corporations continues to be a critical source of income with the greatest potential for growth. Indeed, giving to Dartmouth in fiscal year 2003 was stronger than might have been anticipated, growing by 5% compared to the previous year. Of particular note was the 2003 Dartmouth College Fund record, in excess of \$30 million, and, within that total, the five record-setting reunion results by the classes of 1953, 1968, 1973, 1978, and 1982.

FISCAL YEAR 2003 SOURCES GIFTS (EXCLUDING ENDOWMENT INCOME)



10 YEAR AVERAGE NOTED IN PARENTHESES.

THE 52 YEAR HISTORY OF DARTMOUTH'S GIFT PLANNING PROGRAM (IN MILLIONS)



GIFT PLANNING

Life income giving in fiscal year 2003 suffered as the result of recent years' poor equity market returns. However, bequests exceeded by 10% the median of trailing ten-year results for years without any singly-large bequest (greater than \$5 million).

At the end of FY2003 we anticipated that with a turn-around in the stock market the decline in deferred gift receipts would be reversed. We are pleased that indeed, this has been the case. As indicated in the gift planning office highlights described below, the first half of fiscal year 2004 has also been strong.

WHAT'S AHEAD?

The 2003 recovery from the recession has certainly been welcome and it has contributed positively to Dartmouth's overall financial health. Can the recovery be sustained? No one can predict what will arise tomorrow, but, according to Adam M. Keller, Executive Vice President and Treasurer, the comprehensive financial management approach Dartmouth has undertaken places the institution in a solid position to meet any challenges ahead. As Mr. Keller describes it, key elements of this approach include:

- Active review of asset allocation to maximize return;

- Amendment of the endowment distribution formula to level out the peaks and valleys of the market;
- Development of multi-year operating projections for improved short and long range planning;
- Management of expenses to match revenue growth; and
- Clear focus on institutional priorities.

The theme in all of these efforts is to remain positive as we pursue the overriding goal to keep Dartmouth at the forefront of academic excellence. As President James Wright has said, "Our job is to continue to flourish in a changing and challenging environment." With your help we will be successful.