



**DARTMOUTH COLLEGE**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2008

**DARTMOUTH COLLEGE**

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Management and Budget (OMB) Circular A-133 and  
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Year ended June 30, 2008

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**KPMG LLP**

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**Independent Auditors' Report**

The Board of Trustees  
Dartmouth College:

We have audited the accompanying statement of financial position of Dartmouth College (the College) as of June 30, 2008, and the related statements of activities, operating expenses, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2007 financial statements and, in our report dated October 30, 2007, because we were unable to examine evidence regarding the fair value of certain unrecognized trust interests, we expressed a qualified opinion on those financial statements.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note K, assets and changes in net assets do not include the College's interests in certain third-party charitable trusts for which current fair values are not available. Accordingly, we were unable to apply adequate procedures to satisfy ourselves as to such fair values, and the effects of this departure from U.S. generally accepted accounting principles on the College's financial position and changes in net assets cannot be determined.

In our opinion, except for the effects of such adjustments deemed necessary had we examined evidence regarding the fair value of the unrecognized trust interests discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Dartmouth College as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2008 on our consideration of Dartmouth College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2008 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

October 27, 2008

## Dartmouth College

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### Statement of Financial Position

As of June 30, 2008, with comparative information as of June 30, 2007  
(in thousands)

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	2008	2007
<b>Assets</b>		
Cash and cash equivalents	\$ 91,040	\$ 85,453
Receivables and other assets, net	161,424	172,678
Pledges receivable, net	168,174	131,200
Investments held by bond trustee	53,957	98,453
Investments, at estimated fair value	4,134,084	4,290,759
Collateral on securities loaned	103,781	189,921
Land, buildings, equipment, and construction in progress, net	708,541	657,398
<b>Total assets</b>	<b>5,421,001</b>	<b>5,625,862</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	97,012	110,485
Deferred revenues and deposits	31,366	29,763
Liability for split-interest agreements	60,481	73,087
Pension and other employment related obligations	232,774	255,461
Bonds, mortgages, and notes payable, net	542,809	539,406
Liabilities for collateral on securities loaned	103,781	189,921
Conditional asset retirement obligations	21,309	21,158
Government advances for student loans	19,489	19,310
<b>Total liabilities</b>	<b>1,109,021</b>	<b>1,238,591</b>
<b>Total Net Assets</b>	<b>\$ 4,311,980</b>	<b>\$ 4,387,271</b>
<b>Net Assets</b>		
Unrestricted	\$ 1,248,279	\$ 1,333,942
Temporarily restricted	2,267,944	2,304,953
Permanently restricted	795,757	748,376
<b>Total Net Assets</b>	<b>\$ 4,311,980</b>	<b>\$ 4,387,271</b>

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See accompanying notes to the financial statements.

## Dartmouth College

### Statement of Activities

For the year ended June 30, 2008, with summarized financial information for the year ended June 30, 2007  
(in thousands)

	Unrestricted	Temporarily	Permanently	Total	
		Restricted	Restricted	2008	2007
<b>Endowment Activities</b>					
Gifts	\$ 456	\$ 4,550	\$ 30,869	\$ 35,875	\$ 58,652
Net investment return	4,936	16,958	315	22,209	732,820
Distributed for spending	(41,038)	(122,060)	-	(163,098)	(165,613)
Other changes	20,619	(25,869)	7,641	2,391	4,028
Amounts transferred from other funds, net	(1,922)	2,768	1,702	2,548	38,253
<b>Increase (decrease) in net assets from endowment activities</b>	(16,949)	(123,653)	40,527	(100,075)	668,140
<b>Operating Activities</b>					
Revenues					
Tuition and fees	220,391	-	-	220,391	209,529
Student scholarships	(86,912)	-	-	(86,912)	(79,316)
Net tuition and fees	133,479	-	-	133,479	130,213
Sponsored research grants and contracts	166,339	-	-	166,339	173,990
Dartmouth College Fund and other gifts	64,797	2,226	-	67,023	54,070
Distributed endowment investment return	154,163	7,265	-	161,428	164,088
Other operating income	84,607	990	-	85,597	94,276
Auxiliaries	56,951	-	-	56,951	58,724
Net assets released from donor restrictions	(765)	765	-	-	2,063
Total revenues	659,571	11,246	-	670,817	677,424
Expenses					
Academic and student programs	448,752	-	-	448,752	398,739
Sponsored programs	120,520	-	-	120,520	130,702
General institutional services	89,188	-	-	89,188	80,348
Auxiliaries	67,463	-	-	67,463	60,169
Total expenses	725,923	-	-	725,923	669,958
Decrease in expense from postretirement benefit related plan amendments	(28,646)	-	-	(28,646)	-
<b>Increase (decrease) in net assets from operating activities</b>	(37,706)	11,246	-	(26,460)	7,466
<b>Non-operating Activities</b>					
Gifts	-	53,343	-	53,343	33,481
Other non-operating changes, net	5,696	941	-	6,637	14,519
Distributed endowment investment return	384	1,286	-	1,670	1,525
Increase (decrease) in outstanding pledges	-	23,769	13,205	36,974	(29,070)
Postretirement benefit related changes other than net periodic benefit costs	24,445	-	-	24,445	-
Disposals and non-capitalized expenditures	(13,626)	(1,474)	-	(15,100)	(12,092)
Change in estimated value of interest rate swap agreements	(42,349)	-	-	(42,349)	(874)
Amounts released from plant gifts and income restrictions	(10,696)	13,595	(2,899)	-	(2,063)
Amounts transferred to endowment, net	5,138	(7,686)	-	(2,548)	(38,253)
Net change in split-interest agreements	-	(8,376)	(3,452)	(11,828)	12,567
<b>Increase (decrease) in net assets from non-operating activities</b>	(31,008)	75,398	6,854	51,244	(20,260)
<b>Increase (decrease) in net assets before effect of change in accounting</b>	(85,663)	(37,009)	47,381	(75,291)	655,346
Change in accounting for postretirement obligations	-	-	-	-	(88,276)
<b>Increase (decrease) in net assets after effect of change in accounting</b>	(85,663)	(37,009)	47,381	(75,291)	567,070
<b>Net Assets, beginning of year</b>	1,333,942	2,304,953	748,376	4,387,271	3,820,201
<b>Net Assets, end of year</b>	\$ 1,248,279	\$ 2,267,944	\$ 795,757	\$ 4,311,980	\$ 4,387,271

See accompanying notes to the financial statements.

**Dartmouth College**

**Statement of Operating Expenses**

For the year ended June 30, 2008 with summarized financial information for the year ended June 30, 2007  
(in thousands)

	Academic and Student Programs	Sponsored Programs	General Institutional Services				Auxiliaries	Total Expenses	
			Administrative Support	Plant Operation & Maintenance	Development	Total		2008	2007
Salaries and wages	\$ 174,835	\$ 53,514	\$ 21,761	\$ 18,215	\$ 17,480	\$ 57,456	\$ 14,887	\$ 300,692	\$ 280,851
Employee benefits	80,483	16,788	9,757	7,888	7,443	25,088	6,425	128,784	118,585
Fellowships and student support	7,716	3,302	-	-	-	-	-	11,018	10,998
Materials, equipment, and supplies	35,072	10,889	5,555	1,448	2,904	9,907	16,930	72,798	66,587
Purchased services	33,862	33,004	6,616	3,314	6,628	16,558	2,438	85,862	68,907
Utilities, taxes, and occupancy	-	-	88	36,890	-	36,978	5,872	42,850	32,731
Depreciation	26,965	-	1,904	5,340	61	7,305	5,761	40,031	39,306
Lodging, travel, and similar costs	17,541	2,885	1,132	71	1,855	3,058	240	23,724	30,747
Interest and amortization	-	-	-	17,133	-	17,133	73	17,206	15,965
Other expenses	1,588	138	585	184	253	1,022	210	2,958	5,281
	378,062	120,520	47,398	90,483	36,624	174,505	52,836	725,923	\$ 669,958
Plant operation & maintenance	70,690	-	5,007	(90,483)	159	(85,317)	14,627	-	
<b>Total expenses for FY08</b>	<b>\$ 448,752</b>	<b>\$ 120,520</b>	<b>\$ 52,405</b>	<b>\$ -</b>	<b>\$ 36,783</b>	<b>\$ 89,188</b>	<b>\$ 67,463</b>	<b>\$ 725,923</b>	
<b>Total expenses for FY07</b>	<b>\$ 398,739</b>	<b>\$ 130,702</b>	<b>\$ 46,588</b>	<b>\$ -</b>	<b>\$ 33,760</b>	<b>\$ 80,348</b>	<b>\$ 60,169</b>		<b>\$ 669,958</b>

See accompanying notes to financial statements.

## Dartmouth College

### Statement of Cash Flows

For the year ended June 30, 2008, with comparative information for the year ended June 30, 2007  
(in thousands)

	2008	2007
<b>Cash flows from operating activities</b>		
Total increase (decrease) in net assets	(\$ 75,291)	\$ 567,070
Adjustments to reconcile total increase (decrease) in net assets to net cash used by operating activities		
Depreciation, amortization, and loss on debt refinancing	40,216	43,102
Effects of changes in accounting	-	88,276
Change in estimated value of interest rate swap agreements	42,349	874
Other non-cash transactions	2,070	1,364
Contributions, investment income, and other changes restricted for long-term investment	(82,513)	(122,003)
Net realized and unrealized investment gains	41,288	(727,083)
Changes in operating assets and liabilities		
Receivables and other assets, net	(854)	(12,704)
Pledges receivable, net	(36,974)	29,070
Accounts payable and other liabilities	18,040	(17,733)
Deferred revenues and deposits	1,603	(3,162)
Pension and other employment related obligations	(22,687)	20,581
Net cash used by operating activities	(72,753)	(132,348)
<b>Cash flows from investing activities</b>		
Student loans granted	(14,411)	(13,556)
Student loans repaid	8,677	8,930
Purchases of land, buildings, and equipment	(93,192)	(75,577)
Proceeds from the sale of land, buildings, and equipment	137	-
Net change in liability for split-interest agreements	(12,606)	5,322
Net change in liability for unsettled trades	(54,938)	(1,049)
Purchases of investments	(3,658,445)	(3,888,645)
Sales and maturities of investments	3,773,832	3,945,430
Net cash used by investing activities	(50,946)	(19,145)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of bonds, mortgages, and notes payable	7,000	231,900
Repayment of bonds, mortgages, and note payable	(4,902)	(99,147)
Costs associated with debt issuance	-	(2,233)
Decrease (increase) in investments held by bond trustee	44,496	(90,976)
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	39,953	32,522
Endowment, life income, and similar funds	42,560	89,481
Changes in government advances for student loans	179	(27)
Net cash provided by financing activities	129,286	161,520
<b>Net increase in cash and cash equivalents</b>	<b>5,587</b>	<b>10,027</b>
Cash and cash equivalents, beginning of year	85,453	75,426
Cash and cash equivalents, end of year	\$ 91,040	\$ 85,453

See accompanying notes to the financial statements.

**Dartmouth College**  
**Notes to Financial Statements**

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**A. Summary of Significant Accounting Policies**

**Description of Organization**

Dartmouth College (the College) is a private, nonprofit, co-educational, nonsectarian institution of higher education with approximately 4,200 undergraduate and 1,700 graduate students. Established in 1769, the College includes the four-year co-educational undergraduate college, with graduate schools of business, engineering, and medicine, and several graduate programs in the Arts and Sciences.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis. The financial statements of the College include the accounts of its wholly owned subsidiaries and certain affiliated organizations that are financially controlled by the College. The wholly owned subsidiaries and financially controlled entities include real estate corporations, which own real estate in the local area; the Dartmouth Education Loan Corporation (DELCO), which provides scholarships and low-cost loans to Dartmouth students who are unable to finance their education through other sources; and various separately incorporated foundations, which support activities that enrich the experience of students and the community.

In accordance with U.S. generally accepted accounting principles (GAAP), net assets, revenues, gains, and losses are classified into one of three categories: unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets include all resources that are not subject to donor-imposed restrictions and therefore may be used for any purpose in furtherance of the College's mission. Under the authority of the management and Board of Trustees of the College, in order to support the College's strategic initiatives, all or a portion of unrestricted net assets may be set aside in segregated College-designated reserve accounts and earmarked for use in future years by specific departments, cost centers, or the professional schools, to cover program costs or contingencies. These College-designated net assets include funds designated for operating initiatives, physical plant facilities, and long-term quasi-endowment. The purposes for which the College-designated net assets are earmarked may be changed under the authority of the management and Board of Trustees of the College. The use of designated net assets is at the discretion of the responsible department. All expenses are recorded as a reduction of unrestricted net assets.

Temporarily restricted net assets carry donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because actions are taken to fulfill the restrictions. Temporarily restricted net assets include unexpended endowment return, unexpended restricted use gifts, term endowment funds, loan funds, uncollected pledges, and life income and similar funds. Donor-restricted resources intended for capital projects are released from their temporary restrictions and presented as unrestricted support when the related asset is placed in service. Donor-restricted gifts which are received and either spent or deemed spent within the same fiscal year are reported as unrestricted contributions.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the net assets be retained permanently. Based upon a legal interpretation of New Hampshire State Law, the College determined that appreciation on restricted endowment funds should be classified as temporarily restricted net assets until such time as the appreciation is appropriated by the Board of Trustees. Investment return from endowment activities that has been appropriated by the College's Board of Trustees is presented as an increase in operating or non-operating activities according to the unrestricted, temporarily restricted, or permanently restricted nature of the donor's intended use of the funds. In the case of quasi-endowment funds designated for long-term investment by the College, investment return that has been appropriated by the College's Board of Trustees is presented as an increase in unrestricted operating or non-

**Dartmouth College**  
**Notes to Financial Statements**

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operating activities, depending upon the College's intended use of the funds. Permanently restricted net assets consist of the original principal of endowment gifts, loan funds, and certain pledges.

**Comparative Financial Information**

The 2008 financial statements are presented with certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2007, from which the summarized information was derived. The College implemented FASB Statement No. 158 in 2007. The impact of this implementation on the financial statements is described in Note G. Certain prior year amounts have been restated to conform to the fiscal year 2008 presentation.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in these financial statements are the fair value of investments, interest rate swap agreements and bonds payable (for disclosure only), pension and postretirement benefit obligations, conditional asset retirement obligations, liabilities for self-insured programs and split-interest agreements, and allowances for uncollectible accounts and pledges receivable. Actual results could differ from these estimates.

**Statement of Activities**

Operating activities presented in the Statement of Activities consist of revenues earned, endowment net investment return appropriated by the College's Board of Trustees, and expenses incurred in conducting the programs and services of the College. Auxiliary enterprises, primarily the operation of residence halls, dining services, and recreational facilities, are included in operating activities. Expenses such as development, public relations, and central services and administration are reported as general institutional services. Depreciation and plant operations and maintenance expenses are allocated to functional classifications of expenses based on the square footage of each asset. Interest expense is allocated to functional classifications of expenses based on the use of each building that has been debt financed.

Non-operating activities presented in the Statement of Activities consist of gifts, grants, other earnings, and endowment investment return appropriated by the College's Board of Trustees for loan programs and the construction or purchase of capital assets, non-capitalizable construction in progress, net change in life income and similar split-interest agreements, the net change in pledges receivable, the net change in the estimated value of interest rate swap agreements, and postretirement benefit changes other than net periodic benefits costs.

Endowment activities presented in the Statement of Activities consist of gifts that are restricted by donors to investment in perpetuity, amounts designated by the College's management and Board of Trustees for long term investment, the net investment return on these invested funds, and the annual distribution of an amount appropriated by the College's Board of Trustees to support operating and non-operating activities. Other endowment activities include increases in endowment net assets from certain matured split-interest agreements.

Endowment and non-operating activities also include transfers of net assets that occur when donors change the restrictions on certain gifts or when the College changes the designation of unrestricted funds.

**Dartmouth College**  
**Notes to Financial Statements**

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**Cash and Cash Equivalents**

Cash and cash equivalents consist principally of U.S. treasury notes, money market accounts, certificates of deposit, commercial paper, and liquid short-term investments with maturities of 90 days or less at the date of acquisition. Cash and cash equivalents are carried at cost, which approximates fair value.

**Tuition and Fees and Student Scholarships**

Tuition and fees revenue is recognized in the fiscal year in which substantially all of the academic program occurs. Tuition and fees revenue from undergraduate enrollment represents approximately 70 percent of tuition and fees revenue. Student scholarships provided by the College are presented in the Statement of Activities as a reduction in tuition and fees revenue. In addition, the College acts as an agent for recipients of scholarships from other sponsors in the amounts of \$4,395,000 and \$4,182,000 for the years ended June 30, 2008 and 2007, respectively, which are not presented in the Statement of Activities. With the exception of international applicants, the College admits students to its undergraduate program without regard to financial need. The financial aid program assists all students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of scholarship grants and loans designed to cover costs of attendance when combined with student and family contributions, based on ability to pay.

**Sponsored Research Grants and Contracts**

Revenues from government and private sponsored research grants and contracts are recognized when the direct costs associated with the sponsored program are incurred. Revenue from the reimbursement of facilities and administrative costs related to sponsored research is recognized according to predetermined fixed billing rates. Facilities and administrative costs incurred by the College on U.S. government grants and contracts are reimbursed based upon negotiated predetermined cost rates through June 30, 2008. The College recovered facilities and administrative costs of approximately \$41,322,000 and \$43,287,000 in the years ended June 30, 2008 and 2007, respectively.

**Taxes**

The College is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), except with regard to unrelated business income, which is taxed at corporate income tax rates. The College is also subject to State and local property tax on the value of dormitories and dining and kitchen facilities in excess of \$150,000, as well as on the value of its off-campus rental properties, commercial properties, and other real estate holdings to the extent they are not used or occupied for the College's tax exempt purposes. Certain of the College's real estate entities are exempt from federal income tax under Sections 501(c)(2) and 501(c)(25) of the Code.

Effective July 1, 2007, the College adopted provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes ("FIN 48")*. FIN 48 addresses the accounting uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of FIN 48, the College has determined that the provisions of FIN 48 did not have a material effect on the College's financial statements at June 30, 2008.

**Affiliation with Dartmouth-Hitchcock Medical Center**

The College, through the Dartmouth Medical School (DMS) is a member of the Dartmouth-Hitchcock Medical Center (DHMC), a confederation of health care organizations intended to coordinate medical education and health care delivery for the residents of New Hampshire and Vermont. DHMC is a nonprofit, tax-exempt corporation organized under New Hampshire State Law. The other members of DHMC are: (i) Mary Hitchcock

**Dartmouth College**  
**Notes to Financial Statements**

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Memorial Hospital (Hitchcock Hospital), (ii) Dartmouth-Hitchcock Clinic (Clinic), and (iii) Veteran's Administration of White River Junction, Vermont (VA). The staff of the Clinic serves as the primary resource for clinical faculty at DMS, with the Hitchcock Hospital and the VA acting as principal sites of clinical instruction for the students of DMS. Each member is a separately organized, governed, and operated institution, with the College having no ownership interest in any other member.

Certain costs, including salaries, facilities use (including construction planning and management, and facilities operation and maintenance), and direct and indirect research, incurred by DMS and the other members of DHMC are shared among the members based on negotiated allocations of the costs on an annual or project specific basis. The members of DHMC, excluding the VA, are also parties to a Condominium Ownership Agreement that governs the ownership and operation of the DHMC facilities. During the years ended June 30, 2008 and 2007, the College paid approximately \$19.1 million and \$18.5 million, respectively, and received approximately \$21.7 million and \$16.9 million, respectively, in connection with these arrangements.

**Insurance**

The College maintains several insurance arrangements with the objective of providing the most cost effective and comprehensive coverage for most insurable risks. Both conventional and alternative insurance coverage approaches, including utilization of appropriate self-insured retention amounts, are in force to cover trustee errors and omissions, crime bond, comprehensive general and automobile liability, pension trust fiduciary errors and omissions liability, and real and personal property losses. Workers' compensation losses are covered by an insured program, in excess of a deductible. The College currently participates in three risk retention groups that provide professional liability, general liability, property damage liability, and medical malpractice insurance.

The College's annual premium payments for conventional insurance coverage are included in operating expenses. Estimated liabilities for losses under the College's self-insurance retention limits are reflected in the Statement of Financial Position, which includes estimates for known losses and for losses incurred but not yet reported. Self-insurance reserves are necessarily based on estimates of historical loss experience, and while management believes that the reserves are adequate, the ultimate liabilities may be different than the amounts provided.

**Gifts and Pledges Receivable**

Total contributions to the College include gifts that are received and the net change in pledges receivable during a period. Gifts and pledges are recognized as increases in the appropriate category of net assets in the period the gift or pledge is received. The net change in total pledges is recorded as a net increase (decrease) in non-operating activities in the Statement of Activities. Contributions of capitalizable assets other than cash are recorded at their estimated fair value at the date of gift. Pledges are stated at the estimated present value of future cash flows, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

**Investments**

Investments in marketable securities are carried at estimated fair values as established by the major securities markets. Investments in diversified venture capital holdings and certain other limited partnership interests are carried at estimated fair values, based substantially upon financial information provided by the general partners which is reviewed and evaluated by the College's Investment Office. Because many of these investments are not readily marketable, the estimates of fair value necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results. Certain local area real estate holdings are carried at estimated market value. Purchases and sales of securities are recorded on the trade date, and realized gains and losses are determined on the basis of the average cost of securities sold. Derivative financial

**Dartmouth College**  
**Notes to Financial Statements**

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instruments held for investment purposes are carried at estimated fair values with resulting gains and losses included in investment return.

Total investment return (interest, dividends, rents, royalties, and net realized and unrealized gains and losses) earned by the College's endowment investments is reported as endowment activity, while the net income earned by the non-endowment investments is included in other operating and non-operating income. Fees paid to external investment managers are generally based on contractual percentages of the fair market value of assets under management or on annual total investment return. These fees, as well as certain other expenses associated with endowment investment management and custody, including certain internal costs, amounted to approximately \$14,118,000 and \$13,798,000 for the years ended June 30, 2008 and 2007, respectively, and have been netted against endowment return in the accompanying Statement of Activities.

**Endowment**

The College's endowment and similar funds consist of gifts restricted by donors and unrestricted net assets designated by management and the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated net assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating and non-operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with a Board of Trustees-approved endowment utilization policy and New Hampshire State Law. However, certain donor restricted endowment funds do allow for the expenditure of principal, and College designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures.

Unrestricted endowment net assets include College funds and certain unrestricted gifts from donors, and any accumulated investment return thereon, which may be expended; however, by Trustee or management designation, these net assets may remain invested in the endowment for the long-term support of College activities. Investment return on unrestricted endowment net assets and the annual distribution of a portion of accumulated investment return to operating and non-operating activities are presented as changes in unrestricted net assets in the Statement of Activities. Temporarily restricted endowment net assets include certain expendable endowment gifts, and any retained income and appreciation thereon, which are restricted by the donor to a specific purpose or by law. When the temporary restrictions on these funds have been met, the gifts ordinarily remain in the endowment by Trustee designation to continue supporting the same activities as those specified by the donors, but the net assets are reclassified to unrestricted endowment net assets. Permanently restricted endowment net assets include the original gift amount of true endowment gifts, and for certain gifts, at the direction of the donor, the investment earnings that are to remain invested in perpetuity. Investment return on temporarily and permanently restricted net assets and the annual distribution of a portion of the accumulated investment return to operating and non-operating activities are generally presented as changes in temporarily restricted net assets in the Statement of Activities.

The College employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each fiscal year. The amount appropriated for expenditure each year is independent of the actual return for the year, but the appropriated amount cannot exceed the total accumulated return in an individual fund at the time of distribution. The endowment distribution formula is the sum of 70% of the prior fiscal year distribution for operating and non-operating activities adjusted for inflation for the prior fiscal year plus 30% of the average market value of the pooled funds for the four quarters of the prior fiscal year multiplied by a percentage established by the Board (5.5% for fiscal 2008 and 2007). In addition \$19.1 million was distributed in fiscal 2007 based upon Board approval of an amount up to two-thirds of the endowment return in excess of 10% on unrestricted quasi-endowment funds. Investment return earned in excess of the amount

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appropriated annually is reinvested in the funds, but can be appropriated in future years in accordance with the utilization policy. The net appreciation on most of the permanently and temporarily restricted endowment funds is reported together with temporarily restricted net assets until such time as all or a portion of the appreciation is appropriated for spending in accordance with the utilization policy and applicable State Law.

**Split-Interest Agreements**

Certain donors have established irrevocable split-interest agreements with the College, primarily charitable gift annuities, pooled life income funds, and irrevocable charitable remainder trusts, whereby the donated assets are invested and distributions are made to the donor and/or other beneficiaries in accordance with the agreement for a specified period of time, at which time the remaining assets and future investment return are retained by the College. The College may or may not, at the discretion of the donor, serve as trustee for the split-interest agreement.

The College has recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using a discount rate of 3.8%, for the net present value of the future cash outflows to beneficiaries of the agreements for which the College serves as trustee. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by the College (third-party charitable trusts), a receivable for the College's beneficial interest is established when the College is notified of the trust's existence and when the third-party trustee has provided the College with sufficient reliable information to estimate the value of the receivable. The College reports the net change in split-interest agreements as a non-operating change in net assets in the Statement of Activities. See note K for additional discussion of third-party charitable trusts.

**Investments Held by Bond Trustee**

Investments held by Bond Trustee consist primarily of unexpended debt proceeds that have been invested in accordance with the various resolutions and loan agreements in connection with the New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds. Unexpended debt proceeds are invested in cash, temporary investments, and fixed income securities and are reported at fair value.

**Land, Buildings, Equipment, and Construction in Progress**

Land, buildings, equipment (including software development costs), and construction in progress are recorded at cost at the date of acquisition or, if acquired by gift, at the estimated fair value as of the date of the gift. Purchases, construction, and renovations of plant assets which exceed the College's specified dollar threshold and have a useful life greater than one year are capitalized, while scheduled maintenance and minor renovations of less than that amount are charged to operations.

Land, buildings, and equipment are reflected net of accumulated depreciation calculated on a straight-line basis over the following estimated economic lives:

Buildings and building components	10-50 years
Depreciable land improvements	15-20 years
Equipment	5-20 years

Depreciation expense for facilities that are primarily used for sponsored research is based on the estimated economic lives of each component.

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**Collections**

The College's collections include works of art, literary works, historical treasures, and artifacts that are maintained in the College's museum and libraries. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

The collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets in the Statement of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not recorded in the financial statements.

**B. Receivables and Other Assets**

Receivables and other assets consisted of the following at June 30 (in thousands):

	2008	2007
Student accounts	\$ 2,483	\$ 1,243
Sponsored research grants and contracts	35,827	27,884
Other accounts	39,159	44,982
Notes and student loans	71,541	65,807
<i>Less</i> : allowance for uncollectible accounts	(2,541)	(2,352)
Receivables, net	\$ 146,469	\$ 137,564
Prepaid costs, inventories, and other assets	14,955	35,114
<b>Total receivables and other assets, net</b>	<b>\$ 161,424</b>	<b>\$ 172,678</b>

Federally sponsored student loans with mandated interest rates and repayment terms are subject to significant restrictions as to their transfer and disposition. Amounts received from the Federal government to fund a portion of the Perkins student loans are ultimately refundable to the Federal government and are classified as government advances for student loans in the Statement of Financial Position. Due to the nature and terms of student loans funded by the Federal government, and restricted and unrestricted College funds, it is not practical to estimate the fair value of such loans. All other receivables are carried at estimated net realizable value.

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**C. Gifts and Pledges Receivable**

Gifts and pledge payments received during the years ended June 30 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Gifts to support operations	\$ 67,023	\$ 54,070
Gifts for:		
Facilities and student loans	39,612	30,556
Other restricted uses	13,731	2,925
Endowment	35,875	58,652
Split-interest agreements	<u>6,371</u>	<u>6,001</u>
<b>Total gifts and pledge payments</b>	<b><u>\$ 162,612</u></b>	<b><u>\$ 152,204</u></b>

Unconditional pledges as of June 30 are expected to be realized in the following periods discounted at rates ranging from 2.5% to 6.2% (in thousands):

	<u>2008</u>	<u>2007</u>
In one year or less	\$ 64,982	\$ 44,697
Between one year and five years	117,950	100,649
Six years and after	<u>2,881</u>	<u>3,078</u>
Gross pledges receivable	\$ 185,813	\$ 148,424
Less: present value discount	(11,184)	(10,440)
Less: allowance for uncollectible pledges	<u>(6,455)</u>	<u>(6,784)</u>
<b>Pledges receivable, net</b>	<b><u>\$ 168,174</u></b>	<b><u>\$ 131,200</u></b>

The change in net pledges receivable is presented as a non-operating activity in the Statement of Activities.

**D. Land, Buildings, Equipment, and Construction in Progress**

Land, buildings, equipment, and construction in progress balances at June 30 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Land	\$ 17,752	\$ 14,811
Buildings	774,996	740,058
Land improvements	75,374	73,468
Equipment	<u>184,877</u>	<u>176,711</u>
Land, buildings, and equipment	\$ 1,052,999	\$ 1,005,048
Less: accumulated depreciation	(435,469)	(402,481)
Construction in progress	<u>91,011</u>	<u>54,831</u>
<b>Total net book value</b>	<b><u>\$ 708,541</u></b>	<b><u>\$ 657,398</u></b>

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The College has conditional asset retirement obligations arising from legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets, including asbestos abatement, leasehold improvements, hazardous materials, and equipment disposal and cleanup. The cost of conditional asset retirement obligations is estimated using modified historical per-square foot costs and site specific proposals where available. As of June 30, 2008 and 2007, the College estimated these obligations to be \$21,309,000 and \$21,158,000 respectively. For the years ended June 30, 2008 and 2007, the Statement of Activities included an increase to accretion expense of \$151,000 and \$290,000, respectively.

**E. Investments**

Investments at estimated fair value consisted of the following at June 30 (in thousands):

	2008	2007
<b>Endowment investments</b>		
Cash equivalents and temporary investments	\$ 46,146	\$ 114,091
Fixed income securities	198,527	352,688
Equity securities	1,875,097	2,169,375
Limited partnerships and similar investments	1,086,471	862,644
Other investments	514,440	376,690
Endowment investments	\$ 3,720,681	\$ 3,875,488
<b>Split-interest agreement investments</b>		
Cash equivalents and temporary investments	\$ 2,845	\$ 8,131
Fixed income securities	47,026	48,972
Equity securities	81,141	90,489
Limited partnerships and similar investments	2,975	2,336
Other investments	621	255
Split-interest agreement investments	\$ 134,608	\$ 150,183
<b>Other investments</b>		
Cash equivalents and temporary investments	\$ 54,757	\$ 11,652
Fixed income securities	28,277	39,175
Equity securities	174,397	197,733
Limited partnerships and similar investments	11,963	9,201
Other investments	9,401	7,327
Other investments	\$ 278,795	\$ 265,088
<b>Total investments</b>	\$ 4,134,084	\$ 4,290,759

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A net payable for unsettled trades of \$1,548,000 and \$56,486,000 at June 30, 2008 and 2007, respectively, is included in accounts payable and other liabilities in the Statement of Financial Position. Limited partnerships and similar investments consist of limited partnership interests in venture capital, oil and gas, and other private debt and equity funds. Other investments include real estate limited partnerships, real estate holdings, and other non-marketable assets.

The College's endowment investment portfolio includes derivative financial instruments that have been acquired to reduce overall portfolio risk by hedging exposure to certain assets held in the portfolio. The endowment also employs certain derivative financial instruments to replicate long or short asset positions more cost effectively than through purchases or sales of the underlying assets.

The College from time to time enters into foreign currency forward contracts to protect long-term investments denominated in foreign currency from currency risk. At June 30, 2008 and 2007, the College held forward contracts to buy foreign currencies in the amount of \$0 and \$1,601,000, respectively, and to sell foreign currencies in the amount of \$0 and \$1,447,000, respectively. The College has also recorded an associated net unrealized gain of \$0 and \$45,000 on forward contracts held as of June 30, 2008 and 2007, respectively.

At June 30, 2008 and 2007, the College also held options and futures contracts principally as hedges against market concentration risks in certain segments of its investment portfolio. The College recorded a net unrealized loss of \$14,000 and \$202,000 as of June 30, 2008 and 2007, respectively, pertaining to options contracts held. The difference between the exercise price of open written options contracts and the estimated value of the related underlying securities resulted in a net short position of \$0 and \$261,000 at June 30, 2008 and 2007, respectively. The College is obligated to pledge to the appropriate broker, cash or securities to be held as collateral, as determined by exchange margin requirements for futures contracts held. At June 30, 2008 and 2007, the market value of the College's pledged collateral on futures contracts was \$55,000 and \$179,000, respectively. The difference between the estimated value of open futures contracts to sell and purchase securities was a net long position of \$4,943,000 and \$42,345,000 as of June 30, 2008 and 2007, respectively.

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. At June 30, 2008 and 2007, the College had the rights to \$108,222,000 and \$200,453,000, respectively, of cash, temporary investments, and letters of credit as collateral on deposit for certain securities loaned to brokers and other financial institutions. All rights to this collateral, of a secured party under applicable law, are available to the College in the case of a borrower's failure to deliver securities for any reason within the time specified by the applicable securities loan agreement. The securities temporarily on loan are included in the endowment investments of the College with an estimated fair market value as of June 30, 2008 and 2007, of \$105,535,000 and \$194,378,000, respectively. As of June 30, 2008 and 2007, the College had the rights to cash collateral of \$103,781,000 and \$189,921,000, respectively, which are reflected as assets and related liabilities.

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The changes in estimated fair value of net assets held in endowment and similar funds for the years ended June 30 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Net assets, beginning of year	\$ 3,760,234	\$ 3,092,094
Investment return:		
Investment income	44,677	49,030
Net gain in fair value		
Realized	187,200	373,024
Unrealized	<u>(209,668)</u>	<u>310,766</u>
Total investment return	22,209	732,820
Gifts	35,875	58,652
Distribution of endowment return to all funds	(163,098)	(165,613)
Other changes, net	<u>4,939</u>	<u>42,281</u>
<b>Net assets, end of year</b>	<b><u><u>\$ 3,660,159</u></u></b>	<b><u><u>\$ 3,760,234</u></u></b>

Other changes include additions to the endowment from the maturity of split-interest agreements and net transfers resulting from changes in donor restrictions or College designations.

Included in temporarily restricted endowment net assets at the end of the year is the remaining amount of expendable accumulated appreciation on permanent endowment funds of \$1,668,368,000 and \$1,763,839,000 at June 30, 2008 and 2007, respectively.

Net changes in net assets attributable to split-interest agreements for the years ended June 30 were as follows (in thousands):

	<u>2008</u>	<u>2007</u>
Net assets, beginning of year	\$ 96,401	\$ 83,834
Gifts	6,371	6,001
Net investment return after		
payments to beneficiaries	(7,889)	21,862
Other changes	<u>(10,310)</u>	<u>(15,296)</u>
<b>Net assets, end of year</b>	<b><u><u>\$ 84,573</u></u></b>	<b><u><u>\$ 96,401</u></u></b>

Other changes in net assets attributable to split-interest agreements principally consist of changes in the estimated liability for split-interest agreements and changes in the estimated value of third-party charitable trusts. Other assets include these third-party charitable trusts in the amount of \$10,448,000 and \$19,348,000 at June 30, 2008 and 2007, respectively.

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**F. Bonds, Mortgages, and Note Payable**

Indebtedness at June 30 consisted of the following (in thousands):

	2008	2007
Revenue bonds issued through NHHEFA for the acquisition, installation construction, renovation, and equipping of various academic, research, and administrative facilities:		
Series '07A, serial bonds maturing through the year 2031 at variable rates (ranging from .70% to 4.05% from July 1, 2007 – June 30, 2008)	\$ 89,960	\$ 90,000
Series '07B, serial bonds maturing through the year 2041 at variable rates (ranging from .70% to 4.05% from July 1, 2007 – June 30, 2008)	90,000	90,000
Series '07C, taxable, term bonds maturing in the year 2041 at variable rates (ranging from 2.35% to 5.95% from July 1, 2007 – June 30, 2008)	30,000	30,000
Series '03, serial bonds maturing through the year 2023 at variable rates (ranging from 1.08% to 4.03% from July 1, 2007 – June 30, 2008)	102,700	106,300
Series '02, term bonds maturing in the year 2032 at variable rates (ranging from 1.08% to 4.03% from July 1, 2007 – June 30, 2008)	101,000	101,000
Series '99, term bonds maturing in the year 2019 at a rate of 5.92%	8,845	8,845
Series '98, term bonds maturing in the year 2028 at a rate of 5.12%	33,000	33,000
Revenue bonds issued by DELC through NHHEFA:		
Series '99, term bonds maturing in the year 2039 at a rate of 6.19%	9,940	9,940
Series '85 and Series '98A, serial and term bonds maturing through 2025 at rates ranging from 4.75% to 5.55%	26,005	26,260
Subtotal NHHEFA bonds	\$ 491,450	\$ 495,345
Mortgages on real estate investments, various maturities through 2024 at fixed and variable rates (ranging from 4.94% to 7.10% from July 1, 2007 - June 30, 2008)	43,658	44,413
Commercial Paper (Taxable Commercial Paper Notes, Series A, rate of 2.35%)	7,000	-
Note payable, maturing in 2012 at a rate of 5.50%	1,183	1,434
Subtotal bonds, mortgages, and note payable	\$ 543,291	\$ 541,192
Less : original issue discount and premium, net	(482)	(1,786)
<b>Total bonds, mortgages, and note payable</b>	<b>\$ 542,809</b>	<b>\$ 539,406</b>

Interest expense on debt used to finance facilities projects totaled \$16,817,000 and \$15,879,000, for the years ended June 30, 2008 and 2007, respectively. Interest expense on debt used to finance student loans totaled \$2,036,000 and \$2,048,000 for the years ended June 30, 2008 and 2007, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on mortgages totaled \$1,627,000 and \$2,606,000 for the years ended June 30, 2008 and 2007, respectively, and is presented as a deduction in endowment net investment return in the Statement of Activities. Interest expense on all other indebtedness totaled \$242,000 and \$86,000 for the years ended June 30, 2008 and 2007, respectively.

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The College maintains a revolving credit agreement totaling approximately \$420,000,000 to provide alternative liquidity to support the College's variable rate bonds. There have been no borrowings by the College under this agreement.

The aggregate amounts of principal due for each of the next five years ending June 30 and thereafter are as follows (in thousands):

2009	\$	11,580
2010		4,770
2011		4,959
2012		5,161
2013		14,477
Thereafter		502,344
Total principal due	\$	543,291

Principal due after June 30, 2013 includes the following "balloon" payments due on the College's indebtedness (in thousands):

June 30	Indebtedness	Payment
2017	Mortgages on real estate investments	\$ 18,000
2019	NHHEFA Series 1999 bonds	\$ 8,845
2023	NHHEFA DELC Series 1998 bonds	\$ 15,300
2027	NHHEFA Series 2007A bonds	\$ 31,820
2028	NHHEFA Series 1998 bonds	\$ 33,000
2028	NHHEFA Series 2007A bonds	\$ 52,060
2031	NHHEFA Series 2007A bonds	\$ 5,120
2032	NHHEFA Series 2002 bonds	\$ 101,000
2036	NHHEFA Series 2007B bonds	\$ 18,000
2039	NHHEFA DELC Series 1999 bonds	\$ 9,940
2041	NHHEFA Series 2007B bonds	\$ 72,000
2041	NHHEFA Series 2007C bonds	\$ 30,000

The estimated fair value of the NHHEFA bonds is approximately \$496,913,000 and \$504,602,000 as of June 30, 2008 and 2007, respectively, based on the debt service cash flows of the bonds and certain interest rate assumptions for similar bonds.

The NHHEFA bonds are a general obligation collateralized only by a pledge of full faith and credit of the College and DELC, and by funds held from time to time by the trustee for the benefit of the holders of the bonds under the respective bond resolutions. The College has agreed to certain covenants with respect to encumbrance or disposition of the College's core campus and DELC has certain covenants with respect to encumbrance or disposition of its student loan portfolio.

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The College is party to six interest rate swap transactions designed to manage the College's interest costs and risks associated with variable rate debt. Information related to these interest rate swap agreements as of June 30, 2008, including the fixed interest rate paid by the College and percent of LIBOR BBA (1 month) or ISDA Swap Rate (5 year) received on notional principal, is presented in the table below (in thousands):

Effective Date	Expiration Date	Notional Amount	Fixed Interest Rate %	% of LIBOR BBA
06/01/2004	06/01/2032	\$ 100,000	3.75	67
11/01/2006	06/01/2041	\$ 100,000	3.73	70
06/01/2007	06/01/2027	\$ 32,000	3.77	72
06/01/2007	06/01/2028	\$ 52,880	3.78	72

Effective Date	Expiration Date	Notional Amount	Fixed Interest Rate %	% of ISDA Swap Rate
06/01/2007	06/01/2042	\$ 100,000	3.73	65
06/01/2008	06/01/2043	\$ 165,000	3.74	65

The estimated fair value of these agreements, based on various factors contained in the related interest rate swap agreements and interest rates, represents an unrealized loss of \$23,576,000 included in other liabilities as of June 30, 2008 and an unrealized gain of \$18,773,000 included in other assets as of June 30, 2007. The estimated value of these agreements decreased by \$42,349,000 and \$874,000 in 2008 and 2007, respectively. These changes are presented as a non-operating activity in the Statement of Activities. Net payments or receipts under the swap agreement during a fiscal year are reflected as interest expense. These financial instruments involve counterparty credit exposure. The counterparty for these swap transactions is a major financial institution that meets the College's criteria for financial stability and creditworthiness. See Footnote L for additional information.

**G. Pension and Other Employment Related Obligations**

Liabilities for retirement and postretirement medical benefits, salaries, wages, and other benefits under employment agreements consisted of the following at June 30 (in thousands):

	2008	2007
Retirement and postretirement benefits	\$ 204,013	\$ 228,146
Compensated absences, severance plans, and other commitments	20,512	18,444
Self-insured benefits	8,249	8,871
<b>Total employment related obligations</b>	<b>\$ 232,774</b>	<b>\$ 255,461</b>

In fiscal year 1998, the College revised its pension benefit for staff and non-union service employees, giving each participant a one-time option to either remain in the defined benefit plan or enroll in the College's defined contribution plan effective January 1, 1998. Staff and non-union service employees hired since that date receive retirement benefits under the defined contribution plan. Effective January 1, 2006, all union employees also are

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enrolled in the defined contribution plan. The College's postretirement medical benefits consist of medical insurance coverage for retirees. Effective June 30, 2007, the College adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* ("FAS 158").

Information pertaining to the pension and postretirement benefits at June 30 includes (in thousands):

	Pension Benefits		Postretirement Benefits	
	2008	2007	2008	2007
<b>Change in benefit obligation</b>				
Beginning of year	\$ 97,294	\$ 92,311	\$ 223,212	\$ 198,031
Service cost	3,244	3,230	13,096	11,637
Interest cost	5,934	5,620	13,830	11,847
Plan Amendments	-	-	(28,646)	-
Benefits paid	(6,513)	(5,268)	(3,860)	(3,372)
Actuarial (gain)/loss	(9,431)	1,401	(18,772)	5,069
End of year	<u>\$ 90,528</u>	<u>\$ 97,294</u>	<u>\$ 198,860</u>	<u>\$ 223,212</u>
<b>Change in estimated fair value of plan assets</b>				
Beginning of year	\$ 95,564	\$ 80,295	\$ -	\$ -
Actual return on plan assets	(3,209)	12,537	-	-
Employer contributions	5,000	8,000	3,860	3,372
Benefits paid	(6,513)	(5,268)	(3,860)	(3,372)
End of year	<u>\$ 90,842</u>	<u>\$ 95,564</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status (plan assets less than benefit obligation)</b>	<u>\$ 314</u>	<u>\$ (1,730)</u>	<u>\$ (198,860)</u>	<u>\$ (223,212)</u>
<b>Net periodic benefit (income)/cost included the following</b>				
Service cost	\$ 3,244	\$ 3,230	\$ 13,096	\$ 11,637
Interest cost	5,934	5,619	13,830	11,847
Expected return on assets	(6,382)	(5,561)	-	-
Amortization of prior service cost	954	954	-	523
Recognized net actuarial loss	221	409	4,185	3,609
Net periodic benefit cost	<u>\$ 3,971</u>	<u>\$ 4,651</u>	<u>\$ 31,111</u>	<u>\$ 27,616</u>
<b>Weighted-average assumptions</b>				
Discount rate used to determine net periodic benefit cost	6.25%	6.25%	6.25%	6.25%
Expected return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	5.50%	5.50%	-	-
Discount rate used to determine benefit obligations	7.00%	6.25%	7.00%	6.25%

As of June 30, 2007, upon implementation of FAS 158, the total of items not yet recognized as a component of net periodic postretirement benefit cost was recognized in the Statement of Activities as the effect of a change in accounting of \$88,276,000. On March 4, 2008, the College announced changes to its postretirement health insurance plan that will become effective July 1, 2009. The changes include modifications in plan design for retirees and in cost-sharing for current employees. On July 1, 2009, the College will determine the percentage of

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retiree health insurance premium that it will subsidize for each current employee who qualifies at retirement for enrollment in the group health insurance plan. New employees hired on or after July 1, 2009 will be eligible to purchase the retiree group health insurance if they qualify at retirement. These plan changes result in a decrease in the College's benefit obligation of \$28,646,000 as of June 30, 2008, and is presented separately as an operating decrease in expense in the Statement of Activities. These plan changes will lower annual plan expenses beginning in fiscal year 2009.

For the year ending June 30, 2008, the decrease in pension and other employment related obligations, decrease in total liabilities, and increase in unrestricted net assets of \$18,009,000 consists of the following (in thousands):

Amounts recognized in operating activities:

	Pension Benefits	Postretirement Benefits
Net periodic pension cost	\$ 3,971	\$ 31,111
Prior service cost (plan amendment)	-	(28,646)
<b>Total</b>	<b>\$ 3,971</b>	<b>\$ 2,465</b>

Amounts recognized in non-operating activities:

	Pension Benefits	Postretirement Benefits
Net actuarial (gain) loss	\$ 160	\$ (19,245)
Amortization of (gain) loss	(221)	(4,185)
Amortization of prior service cost	(954)	-
<b>Total</b>	<b>\$ (1,015)</b>	<b>\$ (23,430)</b>

Assets of the defined benefit plan at estimated fair value consisted of the following at June 30 (in thousands):

	2008	2007
Cash and cash equivalents	\$ 770	\$ 327
Fixed income securities	29,881	29,550
Equity Securities	50,069	56,374
Limited partnerships and similar investments	10,122	9,313
<b>Total investments</b>	<b>\$ 90,842</b>	<b>\$ 95,564</b>

The investment objective of the Plan is to generate a net investment return that will meet the long-term liabilities of the Plan while maintaining sufficient liquidity to pay current benefits. This is primarily achieved by holding a diversified asset mix of marketable equity and fixed income securities and, to a lesser degree, illiquid private equity and real estate funds. Outside investment advisors are utilized to manage Plan assets and are selected based on their investment style, philosophy, and past performance. The expected long-term return on the investments of the Plan is 7.5%. This rate represents a weighted aggregation of the projected returns for each asset class considering both historical returns and future expectations. The College's Investment Office is responsible for managing the asset allocation and investment risk management of the Plan. The College currently expects to contribute approximately \$5,000,000 to the plan in fiscal year 2009.

**Dartmouth College**  
**Notes to Financial Statements**

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Benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the next five years ending June 30 and thereafter as follows (in thousands):

	Pension Benefits	Postretirement Benefits
2009	\$ 7,500	\$ 4,018
2010	5,100	4,602
2011	5,300	5,198
2012	5,700	5,952
2013	6,100	6,844
Years 2014-2018	38,400	50,965

Assumed health care cost trend rates have a significant effect on the estimated amounts reported for the postretirement benefit plan. The medical cost trend rates for pre-age 65 and post-age 65 retirees, respectively, are assumed to be 9.5% and 10.25% in fiscal 2009, decrease gradually to 5% and 6% in fiscal 2018, and remain level thereafter. The College's estimate of postretirement benefit expense and obligations also reflects the impact of the Medicare Prescription Drug Improvement and Modernization Act, which provides for tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage.

A one percentage point increase (decrease) in assumed health care cost trend rates would have the following effect (in thousands):

Increase (decrease) in total of service and interest cost components	\$ 5,503	\$ (4,263)
Increase (decrease) in postretirement benefit obligation	\$ 38,351	\$ (30,374)

The College also maintains defined contribution retirement plans for non-union employees. These benefits are individually funded and are subject to various vesting requirements. Under these arrangements, the College makes monthly contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2008 and 2007 were \$23,125,000 and \$21,514,000, respectively.

**H. Other Operating Income**

The major components of other operating income for the years ended June 30 were as follows (in thousands):

	2008	2007
Medical School clinical services and other support	\$ 42,038	\$ 37,452
Foreign study and continuing education programs	14,766	12,443
Hopkins Center and Hood Museum	1,812	1,578
Athletics revenues	3,071	2,670
Investment income and other revenues	12,361	28,912
Student activities and other program revenue	11,549	11,221
<b>Total other operating income</b>	<b>\$ 85,597</b>	<b>\$ 94,276</b>

**Dartmouth College**  
**Notes to Financial Statements**

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**I. Net Assets**

Additional information pertaining to the College's net assets at June 30 is presented below (in thousands):

	<b>2008</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Detail of net assets</b>				
Operating funds	\$ 161,923	\$ 63,135	\$ -	\$ 225,058
Pledges	-	122,215	45,959	168,174
Postretirement benefit obligation	(198,860)	-	-	(198,860)
Outside trusts	-	7,720	2,728	10,448
Available for capital projects	61,771	45,048	-	106,819
Estimated value of interest rate swap agreements	(23,576)	-	-	(23,576)
Funding for facilities	243,905	-	-	243,905
Funding for student loans	19,991	25,737	-	45,728
Life income, annuity, and similar funds	-	35,000	39,125	74,125
Endowment and similar funds	983,125	1,969,089	707,945	3,660,159
<b>Total net assets</b>	<b>\$ 1,248,279</b>	<b>\$ 2,267,944</b>	<b>\$ 795,757</b>	<b>\$ 4,311,980</b>

	<b>2007</b>			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Detail of net assets</b>				
Operating funds	\$ 230,468	\$ 14,990	\$ 2,899	\$ 248,357
Pledges	-	98,446	32,754	131,200
Postretirement benefit obligation	(223,212)	-	-	(223,212)
Outside trusts	-	16,685	2,663	19,348
Available for capital projects	21,939	12,036	-	33,975
Estimated value of interest rate swap agreements	18,773	-	-	18,773
Funding for facilities	257,207	15,888	-	273,095
Funding for student loans	28,694	19,754	-	48,448
Life income, annuity, and similar funds	-	34,411	42,642	77,053
Endowment and similar funds	1,000,073	2,092,743	667,418	3,760,234
<b>Total net assets</b>	<b>\$ 1,333,942</b>	<b>\$ 2,304,953</b>	<b>\$ 748,376</b>	<b>\$ 4,387,271</b>

**Dartmouth College**  
**Notes to Financial Statements**

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**J. Commitments and Contingencies**

Outstanding commitments on uncompleted construction contracts total \$32,196,000 at June 30, 2008.

The College is obligated under certain venture capital, oil and gas, and real estate investment fund contracts, principally limited partnership agreements, to periodically advance additional funding up to contractual levels. At June 30, 2008, the College had an unfunded commitment of \$1,070,579,000 payable through 2018.

All funds expended by the College in connection with government sponsored grants and contracts are subject to audit by governmental agencies. The ultimate liability, if any, from such audits, is not expected to have a material adverse effect on the College's financial position.

In conducting its activities, the College from time to time is the subject of various claims and also has claims against others. The ultimate resolution of such claims is not expected to have either a material adverse or a favorable effect on the financial position of the College.

**K. Third Party Charitable Trusts**

As described in Note A, a split-interest agreement is a donor arrangement, such as a charitable trust, under which the College receives benefits that are shared with other beneficiaries. GAAP requires the College to report at estimated fair value its interest in an irrevocable split-interest agreement when the College is notified of an agreement's existence. When the College is not the trustee of the assets associated with a split-interest agreement, then the College recognizes these assets only when the College is notified of the existence of the trust and when reliable information about the fair value of its interest is provided by the third-party trustee. The College requests information regularly from third-party trustees for financial reporting purposes; however, these trustees are not obligated to provide the College with the information necessary to estimate fair value and record the asset. The College respects the privacy of donors and trustees in these limited instances.

As of June 30, 2008 and 2007 third-party trustees have not provided the College with sufficient information necessary to estimate the fair value of the College's interest in certain trusts. The College has not recorded an asset in connection with these trusts due to the uncertainty surrounding the potential value of the College's interest in these trusts as of June 30, 2008 and 2007. If the College's interest in these trusts was reflected on the Statement of Financial Position, the College's assets and net assets would be greater than the amounts reported in the accompanying financial statements.

**L. Subsequent Events**

In August 2008, the College established a \$175 million line of credit with Bank of America to provide near-term liquidity, primarily, but not exclusively, for investment partnership commitments in the endowment. As of October 22, 2008, the College has not used any of the line.

In response to Lehman Brothers Holding Company filing for Chapter 11 on September 15, 2008, the College established new agreements for services related to its variable rate debt. Services for remarketing of variable rate debt have been established with JPMorgan Chase for the College's weekly issues and commercial paper program,

**Dartmouth College**  
**Notes to Financial Statements**

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and with Bank of America for the College's daily issues. Additionally, the College notified Lehman Brothers on September 30, 2008 of its right to terminate the swap agreements at a future date.

On September 29, 2008, the College received notice from the Trustee of the Commonfund Short Term Fund, Wachovia Bank, N.A. of Wachovia's decision to initiate the termination of the Commonfund Short Term Fund, to establish procedures for an orderly liquidation and distribution of the fund's assets, and to resign their role as Trustee of the Commonfund Short Term Fund. The College's assets include investments in the Commonfund Short Term Fund of \$45 million and \$63 million, as of June 30, 2008 and September 29, 2008, respectively. The College expects to receive the full value of all assets currently held in the Commonfund Short Term Fund, as well as the income that the pool continues to produce. As of October 27, 2008, the College had received 52% of the assets in the fund as of September 29, 2008.

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
Research and development:			
U.S. Department of Health and Human Services:			
Direct awards (93.RD):			
	National Institute of Health		\$ 79,238,896
	National Institute of Health Research Training		2,642,446
	Public Health Services Center		<u>1,338,297</u>
	Subtotal		<u>83,219,639</u>
Subagreements:			
93.395	American College of Radiology	ACR	14,515
93.000	Angion Biomedica Corporation	n/a	48,456
93.000	Beth Israel Deaconess Medical Center	BIDMC	27,517
93.855	Boston University	7862-5	73,357
93.242	Boston University	MC 527364 B-AJ	26,374
93.000	Brandeis University	TASK 01	4,976
93.397	Brigham & Women's Hospital	101669	373
93.393	Brigham & Women's Hospital	115911	(17,082)
93.393	Brigham & Women's Hospital	115911	147,747
93.393	Brigham & Women's Hospital	113956-0002	90,164
93.286	Brigham & Women's Hospital	151941	(3,304)
93.399	Brown University	1404-27408	1,944
93.393	Brown University	00000181/P252642	62,195
93.865	Childrens Hospital Boston	CHB	250,270
93.865	Childrens Hospital Boston	CHB	136,544
93.865	Childrens Hospital Boston	CHB	13,559
93.865	Childrens Hospital Boston	CHB	134,632
93.865	Childrens Hospital Boston	CHB	191,545
93.865	Childrens Hospital Boston	CHB	143,154
93.865	Childrens Hospital Boston	CHB	54,227
93.393	Columbia University	2	39,296
93.113	Columbia University	10	10,675
93.243	Community Connections	1H79SM058316-01	21,736
93.000	Community Connections	COMM CONNECTIONS	89,368
93.989	Cornell University	07091053	39,337
93.000	Creare, Inc.	39475	48,902
93.143	Duke University	08-SC-NIH-1042	7,382
93.143	Duke University	08-SC-NIH-1088	10,417
93.000	Duke University	4520675215	54,967
93.000	Duke University	PRE-AWARD	18,970
93.393	Emory University	5-40635-G1	51,900
93.853	Fox Chase Cancer Center	11277-01	102,886
93.395	Fox Chase Cancer Center	16186-03	1,002
93.395	Fox Chase Cancer Center	16186-04	20,189
93.855	Harvard University	148988.057	50,025
93.855	Harvard University	148988.057	17,958
93.399	Harvard University	113927-0405	43,210
93.399	Harvard University	113927-0405	68,940
93.393	Harvard University	112904	8,936
93.000	Indiana University	10788	169,430
93.859	Johns Hopkins University	8505-03011	66,150
93.838	Johns Hopkins University	2000142940	78,783
93.838	Johns Hopkins University	2000142940	31,447
93.399	Johns Hopkins University	2000010033	70,813
93.399	Johns Hopkins University	2000010033	51,895
93.172	Lehigh University	541370-78001	92,851
93.855	Los Angeles Biomedical Research Center at Harbor U	08232-10	19,978
93.837	Maine Medical Center	MAINE	81,524
93.395	Massachusetts General Hospital	MASS GENERAL	118,404

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
93.395	Massachusetts General Hospital	MASS GENERAL	\$ 48,365
93.279	Massachusetts General Hospital	206321	163
93.279	Massachusetts General Hospital	pre-award	1,056
93.848	Mayo Clinic	1U01DK65713-01-A	4,915
93.848	Mayo Clinic	1U01DK65713-01-A	39,990
93.395	National Childhood Cancer Foundation	15134-1	2,593
93.395	National Childhood Cancer Foundation	16163	26,424
93.395	National Childhood Cancer Foundation	15134	64,609
93.395	National Childhood Cancer Foundation	98543-1118	39,419
93.000	New Health Sciences, Inc.	DC\729279.1	58,754
93.000	Olmstead Medical Center	OMC	51,059
93.000	Physical Sciences, Inc.	PRE-AWARD	4,102
93.242	Princeton University	00001524	533
93.000	Psychological Applications	PA	23,277
93.000	Psychological Applications	PA	154,933
93.859	Purdue University	8000015743-01	35,280
93.000	Simbex	HD48638	113,936
93.000	Simbex	HD48638	23,102
93.000	Social & Scientific Systems, Inc	BRS-IMPCT-Q-06-00144-T001	274,323
93.283	NH Div of Epidemiology & Vital Statistics	710374	1,800
93.283	NH Div of Epidemiology & Vital Statistics	710374	84,507
93.283	NH Div of Epidemiology & Vital Statistics	710374	127,030
93.283	NH Div of Epidemiology & Vital Statistics	710374	436,534
93.242	NH Div of Community Based Care Services	010-092-7868-091	179,471
93.867	Thomas Jefferson University	PRE-AWARD	5,830
93.867	Thomas Jefferson University	080-19250-R78203	64,129
93.847	Tufts University	M250001-HS2004	46,894
93.393	University of Arizona	Y413709	2,803
93.867	University of California, San Francisco	4293SC	9,171
93.867	University of California, San Francisco	4293SC	126,601
93.399	University of California, Irvine	2003-1344	13,309
93.399	University of California, Irvine	2003-1344	53,931
93.399	University of California, Irvine	2003-1344	84,177
93.399	University of California, Irvine	2003-1343	60,021
93.399	University of California, Irvine	2003-1343	119,396
93.000	University of Chicago	35704	211,621
93.866	Univ of Colorado-Denver & Health Sciences Center	FY06.272.002	160,943
93.867	University of Dayton Research Institute	RSC07040	27,795
93.242	University of Iowa	1 11843 00	11,661
93.866	University of Michigan	F015416	224,938
93.866	University of Michigan	F015416	87,695
93.399	University of Michigan	F011909	10,730
93.399	University of Michigan	F017734	118,894
93.399	University of Michigan	Pre-Award	32,352
93.242	University of North Carolina at Chapel Hill	5-32997	13,962
93.853	University of Pennsylvania	547719	14,803
93.855	University of Rochester	413954-G	97,334
93.855	University of Rochester	413954-G	589,451
93.393	University of Southern California	H35327	24,724
93.393	University of Southern California	H35333	(1,651)
93.393	University of Southern California	H35333	442,254
93.399	University of Texas, M D Anderson Cancer Center	PRE-AWARD	50,862
93.396	University of Virginia	GC11088-121662	3,855
93.393	University of Washington	885102	76,527
93.242	University of Wisconsin-Madison	X330783	82,370
93.242	University of Wisconsin-Madison	X330783	19,659
93.000	Westat, Inc.	8101-S05	11,322

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
93.394	Woomera Therapeutics, Inc.	PHASE I	\$ 4,364
93.996	Yale New Haven Health System	YNH-CEPDR	11,986
	Subtotal		<u>7,599,422</u>
	U.S. Department of Health and Human Services total		<u>90,819,061</u>
National Science Foundation:			
Direct awards (47.RD)			<u>6,975,818</u>
Subagreements:			
47.050	Boston University	GC176992NGA	546,592
47.041	Iowa State University	420-25-37	40,492
47.070	New York University	F6111-02	21,123
47.078	Ohio State University Research Foundation	RF00962318	539
47.078	Ohio State University Research Foundation	RF01016863	82,887
47.078	Ohio State University Research Foundation	RF01016863	(22)
47.000	Portland State University	208FOU073	15,295
47.074	Purdue University	4101-19822	19,939
47.000	Sound Innovations	SOUND	60,138
47.000	University of Alaska, Fairbanks	UAF 07-0097	6,377
47.070	University of Connecticut	4454	26,922
47.070	University of Connecticut	4454	645
47.070	University of Illinois	2005-04510-03	118,281
47.078	University of Maine	UM-S620	14,017
47.080	University of New Hampshire	08-035	341,791
47.074	University of North Carolina at Chapel Hill	5-54525	381,423
47.075	US Civilian Research & Development Foundation	GEG2-3342-TB-06	6,256
47.075	Woods Hole Research Center	D2007A	18,983
	Subtotal		<u>1,701,678</u>
	National Science Foundation total		<u>8,677,496</u>
U.S. Department of Defense:			
Direct awards (12.RD)			<u>4,483,187</u>
Subagreements:			
12.000	BAE Systems National Security Solutions Inc.	070985	967
12.000	Battelle Memorial Institute	TCN 06022	16,425
12.800	Cal State L.A. Auxiliary Services, Inc.	DART – CRESPI 230391	55,721
12.630	Central Intelligence Agency (CIA)	HM1582-05-1-2033	124,173
12.300	Creare, Inc.	49083	20,032
12.000	Creare, Inc.	47284	30,991
12.000	OSD Net Assessment	HQ0034-07-C-1035	169,723
12.420	Rutgers the State University	00003416	28,974
12.000	Science Applications International Corporation	4400148943	56,638
12.800	Securboraton, Inc.	N/A	15,000
12.630	Securboraton, Inc.	STTR	30,000
12.000	Securboraton, Inc.	STTR PHASE II	106,459
12.000	Securboraton, Inc.	FUSED INTENT	18,776
12.630	Sound Innovations	STTR	30,023
12.000	Sound Innovations	SOUND 2	70,518
12.300	University of Maryland	Z882803	88,930
12.000	University of North Carolina at Charlotte	2975-04-0113-D	19,946
12.431	University of Wisconsin-Madison	F210070	51,465
12.300	Virginia Polytechnic Institute & State University	CR-19715-425773	50,744
	Subtotal		<u>985,505</u>
	U.S. Department of Defense total		<u>5,468,692</u>

**DARTMOUTH COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

	<b>Pass-through number</b>	<b>Total expenditures</b>
U.S. National Aeronautics and Space Administration:		
Direct awards (43.RD)		\$ 2,751,220
Subagreements:		
43.000 Regents of the University of Minnesota	X5336545104	4,626
43.001 Smithsonian Astrophysical Observatory (SAO)	G08-9065B	13,288
43.000 University of New Hampshire	08-015	8,204
Subtotal		26,118
U.S. National Aeronautics and Space Administration total		2,777,338
U.S. Department of Agriculture:		
Direct awards (10.RD)		222,676
Subagreements:		
10.025 Animal and Plant Health Inspection Service	07-8100-1221-CA	16,787
10.000 Cooperative State Research Service (Non LOC)	53-7482-5-466	21,498
10.000 Forest Service	06CS11242300-162	7,700
10.200 University of California, Davis	SA7278	9,227
Subtotal		55,212
U.S. Department of Agriculture Total		277,888
National Oceanic and Atmospheric Administration:		
Subagreements:		
11.432 University of Michigan	F014563	4,462
11.400 Ctr Cultural-Tech Interchange Between E & W, Inc.	PRE-AWARD	864
Subtotal		5,326
National Oceanic and Atmospheric Administration total		5,326
U.S. Department of Commerce:		
Direct awards (11.6XX)		5,339,977
U.S. Department of Commerce total		5,339,977
U.S. Department of Justice:		
Direct awards (16.RD)		2,665,871
U.S. Department of Justice total		2,665,871
Veteran's Administration:		
Direct awards (64.RD)		218,662
Direct awards (27.RD)		189,850
Veteran's Administration total		408,512
Department of Energy:		
Direct awards (81.RD)		1,048,212
Subagreements:		
81.049 Ames Laboratory	SC-07-301	77,430
81.000 University of New Hampshire	08-028	48,800
81.000 University of New Hampshire	08-050	11,805
81.000 University of Maryland	Q314301	68,223
81.057 University of Connecticut	5207	42,079
Subtotal		248,337
Department of Energy total		1,296,549
Department of Homeland Security:		
Direct awards (97.RD)		8,559,116

**DARTMOUTH COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

	<b>Pass-through number</b>	<b>Total expenditures</b>
Subagreements:		
97.065 Utah State University Research Foundation	CP0007652	\$ 276,574
97.061 Univ of Colorado-Denver & Health Sciences Center	56485	87,027
Subtotal		363,601
Department of Homeland Security total		8,922,717
Environmental Protection Agency:		
Direct awards (66.RD)		
Subagreements:		
66.509 Duke University	06-SC-EPA-1059	38,899
66.509 Colorado School of Mines	4-42760/15220	14,934
Subtotal		53,833
Environmental Protection Agency total		196,228
Other awards:		
Subagreements:		
96.000 Westat, Inc.	8225-S-01	639,698
15.FFB National Fish & Wildlife Foundation	2004-0010-022	28,113
93.XXX Medicare Payment Advisory Commission (MedPAC)	E4034787	34,395
21.000 Department of the Treasury	TD007251	5,000
98.855 Harvard University	148988.0582	21,281
Other awards total		728,487
U.S. Department of Education:		
Direct awards:		
Subagreements:		
84.000 National Institute on Disability and Rehabilitation Research	H133G050181-06	150,008
84.000 National Institute on Disability and Rehabilitation Research	H133G050230-06	128,946
U.S. Department of Education total		278,954
Total research & development/research training		127,863,096
Student Financial Assistance:		
U.S. Department of Education:		
Direct awards:		
84.375 ACG 07/08		173,040
84.376 SMART 07/08		117,320
84.033 06/07 WORK STUDY		(31)
84.063 2007/2008 PELL		1,659,238
84.063 P007A072503		905,428
84.033 07/08 Work Study Program		1,358,632
Student Financial Assistance total		4,213,627
U.S. Department of Health and Human Services:		
Direct awards:		
93.884 Bureau of Health Professions	D55HP00024	(24)
93.884 Bureau of Health Professions	D54HP00006	92,286
93.107 Bureau of Health Professions	U77HP03627	57,519
93.061 Nat'l Ctr for Chronic Disease Prevention & Health	R01DP000105	140,080
93.879 Nat'l Library of Medicine (NLM)	G08LM008110	6,274
93.283 Centers for Disease Control	U50/CCU121143	117,692
93.283 Centers for Disease Control	U50/CCU121143	41,801
93.283 Centers for Disease Control	R01DD000140	104,671
93.283 Centers for Disease Control	R01DD000140	189,557
93.279 Nat'l Inst of Mental Health (NIMH)	R25MH057541	39,995
93.242 Nat'l Inst of Mental Health (NIMH)	F31MH075634	3,462
93.242 Nat'l Inst of Mental Health (NIMH)	F31MH075634	36,376
93.242 Nat'l Inst of Mental Health (NIMH)	R01MH078052	323,395

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

	<u>Pass-through number</u>	<u>Total expenditures</u>
93.226 Agency for Healthcare Research & Quality	R13HS017378	\$ 8,108
93.173 Nat'l Inst of Mental Health (NIMH)	F32DC008773	(97)
93.173 Nat'l Inst of Mental Health (NIMH)	F32DC008773	49,396
93.000 Centers for Disease Control (Non LOC)	05IPA28206.02	5,423
93.000 Centers for Disease Control (Non LOC)	05IPA28206.02	27,116
93.969 Health Resources & Svcs Admin (HRSA)	D31HP08813	217,832
93.918 Health Resources & Svcs Admin (HRSA)	H76HA00812	251,502
93.918 Health Resources & Svcs Admin (HRSA)	H76HA00812	43,118
93.359 Health Resources & Svcs Admin (HRSA)	D64HP03100	21,409
93.265 Health Resources & Svcs Admin (HRSA)	D62HP06808	313
93.265 Health Resources & Svcs Admin (HRSA)	D62HP06808	164,938
93.153 Bureau of Maternal and Child Health	H12HA00007	41,710
93.153 Bureau of Maternal and Child Health	H12HA00007	373
93.153 Bureau of Maternal and Child Health	H12HA00007	309,124
93.127 Bureau of Maternal and Child Health	H33MC06727	74,268
93.127 Bureau of Maternal and Child Health	H33MC06727	33,459
93.110 Health Resources & Svcs Admin (HRSA)	T02MC06325	15,483
93.110 Health Resources & Svcs Admin (HRSA)	T02MC06325	124,086
93.110 Health Resources & Svcs Admin (HRSA)	H98MC08578	189,024
93.110 Health Resources & Svcs Admin (HRSA)	H93MC00081	41,823
93.110 Health Resources & Svcs Admin (HRSA)	D70MC06898	10,742
93.110 Health Resources & Svcs Admin (HRSA)	D70MC06898	258,026
93.110 Health Resources & Svcs Admin (HRSA)	D70MC06898	11,359
93.107 Health Resources & Svcs Admin (HRSA)	U77HP03627	142,415
93.989 John E. Fogarty International Center (FIC)	D43TW006807	668
93.989 John E. Fogarty International Center (FIC)	D43TW006807	222,791
93.989 John E. Fogarty International Center (FIC)	D43TW006807	34,672
93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS)	F32NS059126	17,453
93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS)	F31NS056720	12,480
93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS)	F31NS056720	10,593
93.848 Nat'l Inst of Diabetes & Digest & Kidney (NIDDK)	K23DK078678	1,416
93.846 Nat'l Inst of Arth & Musculoskeletal Skin(NIAMS)	F32AR054653	41,875
93.846 Nat'l Inst of Arth & Musculoskeletal Skin(NIAMS)	F32AR054653	7,433
93.837 Nat'l Heart Lung & Blood Institute (NHLBI)	F32HL088836	13,699
93.272 Nat'l Inst on Alcohol Abuse & Alcoholism (NIAAA)	F31AA016718	28,096
93.272 Nat'l Inst on Alcohol Abuse & Alcoholism (NIAAA)	F31AA016718	31,060
93.243 Substance Abuse & Mental Health Services Admin	U79SM57261	94,548
93.243 Substance Abuse & Mental Health Services Admin	U79SM57261	239,166
Subtotal		<u>3,949,984</u>
Subagreements:		
93.000 Brain Injury Association of New Hampshire	BIANH	3,860
93.000 Dana Farber Cancer Institute	UNIV OF CHICAGO	104,302
93.399 National Surgical Adjuvant Breast & Bowel Project	PFED22-DAR-0	16,550
93.145 University of Massachusetts Memorial Medical Ctr	UMMC	6,810
93.145 University of Massachusetts Memorial Medical Ctr	6081552/ETC-16	72,717
93.145 University of Massachusetts Memorial Medical Ctr	6081552/ETC-16	3,132
93.145 University of Massachusetts Memorial Medical Ctr	6066911/OCP16	5,409
93.145 University of Massachusetts Memorial Medical Ctr	6066911/OCP16	205
93.000 Yale New Haven Health System	HHS2902006000015	8,358
93.398 Boston University	MC-425535-D-JW	500
93.000 Duke University	Z10/Z11	612
93.000 George Washington University	U01-DK061055	20,898
93.853 Mount Sinai School of Medicine	COMBIRX	14,146
93.853 University of Medicine & Dentistry of NJ	99-705	23,966
93.853 Yale University	A06760	46,309
93.853 Yale University	A06379	10,208
93.000 Ambulatory Pediatric Association	R40MC05267	49,334
93.395 American College of Radiology	RTOG	123,482
93.000 North American Contact Dermatitis Group (NACDG)	211-2005-14339	166

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
93.866	University of California, Davis	ADNI-024	\$ 79,235
93.283	University of Massachusetts, Worcester	6068695RFS700067	13,539
93.283	University of Massachusetts, Worcester	6068695RFS700067	18,153
93.110	University of Massachusetts, Worcester	6087828/RFS800094	22,546
93.110	University of Massachusetts, Worcester	6079997/RFS800005	24,030
93.110	University of Massachusetts, Worcester	6068558/RFS70057	5,241
93.632	University of New Hampshire	PZ08081	324
93.632	University of New Hampshire	06-003	11,727
93.000	University of New Hampshire	08-036	6,108
93.853	University of Vermont	15171	28,534
93.991	NH Div of Public Health Services	850169	(558)
93.991	NH Div of Public Health Services	850169	91,135
93.667	NH Div of Developmental Services	Bridge Funding	75,560
93.667	NH Div of Developmental Services	150675	93,174
93.667	NH Div of Developmental Services	150675	48,958
93.667	NH Div of Developmental Services	150675	658,536
93.283	NH Div of Public Health Services	STNH	235,187
93.283	NH Div of Public Health Services	151968	(98)
93.958	Minnesota Department of Human Services	A85653	18,745
93.913	NH Dept of Health & Human Services	150685	(1,697)
93.913	NH Dept of Health & Human Services	150685	71,203
93.283	NH Dept of Health & Human Services	850167	46,092
93.283	NH Dept of Health & Human Services	711472-05	32,308
93.283	NH Dept of Health & Human Services	711472-05	15,046
93.283	NH Dept of Health & Human Services	711472-05	2,469
93.283	NH Dept of Health & Human Services	151155	209
93.283	NH Dept of Health & Human Services	151155	12,885
93.003	NH Dept of Safety	150926	(11,453)
93.003	NH Dept of Safety	150926	135,634
93.994	VT Department of Health	03420-4852	24,660
93.889	VT Department of Health	03420-4888	194,294
93.889	VT Department of Health	03420-4539	172,324
93.243	VT Department of Health	03420-008265	44,767
93.000	Immunitics, Inc.	N/A	64
	Subtotal		<u>2,679,845</u>
	U.S. Department of Health and Human Services total		<u>6,629,829</u>
National Science Foundation:			
Direct awards:			
47.070	National Science Foundation (NSF)	CNS-0708209	263,684
47.050	National Science Foundation (NSF)	ATM-0457561	133,283
47.050	National Science Foundation (NSF)	EAR-0650533	91,000
47.049	National Science Foundation (NSF)	DMS-0026425	25,260
47.046	National Science Foundation (NSF)	DUE-0736749	3,892
47.000	National Science Foundation (NSF)	Pre-Award	189,643
	National Science Foundation total		<u>706,762</u>
U.S. National Aeronautics and Space Administration:			
Direct awards:			
43.001	NASA Goddard Space Flight Center	1317177	46,026
43.001	NASA Goddard Space Flight Center	NNX06A126H	6,738
43.001	NASA Goddard Space Flight Center	NNX07AP37H	16,106
43.000	NASA John C. Stennis Space Center	NNS06AA18G	1,428
	Subtotal		<u>70,298</u>
Subagreements:			
43.001	Inst for the Application of Geospacial Technology	IAGT	13,968
43.001	National Space Biomedical Research Institute	TD00401	58,640
43.002	University of New Hampshire	PZ05007	81,158
43.002	University of New Hampshire	PZ05007	43,968

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
43.002	University of New Hampshire	PZ05007	\$ 12,638
43.002	University of New Hampshire	PZ05007	22,864
	Subtotal		<u>233,236</u>
	U.S. National Aeronautics and Space Administration total		<u>303,534</u>
Veteran's Affairs Administration:			
Direct awards:			
64.000	White River Junction VA Medical Center	n/a	23,304
64.000	White River Junction VA Medical Center	VA241P-0410	14,542
64.000	White River Junction VA Medical Center	IPA-NORRIS	(7,248)
64.000	White River Junction VA Medical Center	V00241P-00440	53,912
27.011	White River Junction VA Medical Center	V405P-3642	4,334
27.011	White River Junction VA Medical Center	V0024IP-00100	264,304
27.011	White River Junction VA Medical Center	V00241P-00710	51,550
27.011	White River Junction VA Medical Center	VAMC	39,051
27.011	White River Junction VA Medical Center	Nolan IPA	30,000
	Veteran's Affairs Administration total		<u>473,749</u>
U.S. Department of Defense:			
Direct awards:			
12.910	Advanced Research Projects Agency (ARPA)	HR0011-06-1-0033	51,362
12.910	Advanced Research Projects Agency (ARPA)	HR0011-06-1-0033	51,138
12.630	Cold Regions Research & Engineering Lab (CRREL)	W913E5-07-P-0043	5,805
12.630	Cold Regions Research & Engineering Lab (CRREL)	W913E5-08-P-0007	4,412
12.431	Army Research Office	W911NF-06-1-0471	16,865
12.431	Army Research Office	W911NF-08-1-0032	22,001
12.431	Army Research Office	W911NF-07-1-0166	74,745
12.420	Army Medical Research & Development	W81XWH-07-1-0104	54,593
12.011	VA Maryland Health Care System	PO#1:512D67099	327,058
12.000	White River Junction VA Medical Center	VA241-P-0235	5,705
12.000	US Army Medical Research and Material Command	Pre-Award	4,585
	Subtotal		<u>618,269</u>
Subagreements:			
12.420	Clinical Research Management, Inc.	Dartmouth-07-01	22,764
12.000	University of Mississippi	08-10-037	35,715
12.910	NH Dept of Safety	NNEMMRS	346,111
12.910	NH Dept of Safety	NNEMMRS	52,441
	Subtotal		<u>457,031</u>
	U.S. Department of Defense total		<u>1,075,300</u>
Environmental Protection Agency:			
Direct awards:			
66.514	Environmental Protection Agency	FP-91651101-	3,498
66.514	Environmental Protection Agency	FP-91651101-	35,135
66.514	Environmental Protection Agency	FP-91668701-0	4,484
	Environmental Protection Agency total		<u>43,117</u>
U.S. Department of Justice:			
Direct awards:			
16.560	Office of Justice Programs	2004-IJ-CX-K041	94,405
	U.S. Department of Justice total		<u>94,405</u>
U.S. Department of Education:			
Direct awards:			
84.019	Department of Education	P019A080027	1,192
84.200	Department of Education	P200A060188	(22,219)
84.200	Department of Education	P200A060114	176,283

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

		<u>Pass-through number</u>	<u>Total expenditures</u>
84.200	Department of Education	P200A040045-05	\$ 113,116
84.200	Department of Education	P200A040048-05	97,170
84.200	Department of Education	P200A040191-05	<u>180,282</u>
	Subtotal		<u>545,824</u>
Subagreements:			
84.264	University of Massachusetts, Worcester	050626-DC	12,736
84.264	University of Massachusetts, Worcester	050626-DC	19,461
84.133	Wright State University	H133B040012	12,843
84.336	NH Department of Education	74630	<u>756</u>
	Subtotal		<u>45,796</u>
	U.S. Department of Education total		<u>591,620</u>
Other federal agencies			
Subagreements:			
15.000	Appalachian National Scenic Trail	H2490060027	5,717
20.600	NH Highway Safety Agency	304-06S-001	(219)
20.600	NH Highway Safety Agency	304-08S-004	9,016
20.600	NH Highway Safety Agency	304-08S-004	33,153
20.600	NH Highway Safety Agency	304-08S-003	27,333
20.600	NH Highway Safety Agency	304-08S-003	95,463
20.600	NH Highway Safety Agency	304-08S-005	1,965
20.600	NH Highway Safety Agency	304-08S-005	22,161
45.024	National Endowment for the Arts (NEA)	06-5400-7003	(15)
45.024	National Endowment for the Arts (NEA)	07-5400-7014	32,000
45.024	National Endowment for the Arts (NEA)	08-5400-7046	16,000
45.025	New England Foundation for the Arts	2007-11639	7,940
45.025	New England Foundation for the Arts	2007-11746	9,900
45.025	New England Foundation for the Arts	2007-11633	5,000
59.000	Small Business Administration	SBAHQ-05-I-0074	222,885
59.000	Small Business Administration	SBAHQ-06-I-0084	221,892
59.007	Small Business Administration	SBAHQ-04-I-0065	12,015
90.300	Japan-US Friendship Commission	38853	1,728
97.000	Office of Justice Programs	2005-GT-T5-K004	1,298,618
97.000	Federal Emergency Management Agency (FEMA)	233-03-0106	186,862
97.005	Department of Homeland Security	2007-GT-T7-K016	261,525
98.000	World Learning for International Development	GSM-022	<u>36,598</u>
	Other federal agencies total		<u>2,507,537</u>
	Total expenditures of federal awards		\$ <u><u>144,502,576</u></u>

**DARTMOUTH COLLEGE**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) summarizes the expenditures of Dartmouth College (the College) under federal government programs for the year ended June 30, 2008. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. The Schedule includes CFDA and pass through award numbers when available.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the College and agencies and departments of the federal government and all subawards to the College by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

**(2) Summary of Significant Accounting Policies for Federal Award Expenditures**

Expenditures for direct and indirect costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the OMB Circular A-21, *Cost Principles for Educational Institutions*, and the regulations of the specific programs. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Summary of Facilities and Administrative Costs**

The College recovers facilities and administrative (F&A) costs associated with research and development pursuant to arrangements negotiated with the Department of Health and Human Services (DHHS). The College submitted an F&A costs proposal in early 2003 for negotiated F&A rates that became effective July 1, 2003. The College's F&A cost rate for fiscal year 2008 is 59.9%.

**(4) Federal Student Loan Programs**

Loans made to eligible students and parents under federal student loan programs during the year ended June 30, 2008 are not included in the schedule, and are summarized as follows:

Title IV Program:	
Federal Perkins Loan Program (Perkins)	\$ 3,137,289
Federal Family Education Loan Programs (FFELP):	
Stafford	17,173,956
Parent Loans for Undergraduate Students (PLUS)	8,213,871
	<u>28,525,116</u>
	<u>\$ 28,525,116</u>

Loans are issued under the Stafford and PLUS programs by participating banks or other lending institutions. The balances and transactions relating to these loans are not included in the College's financial statements.

**DARTMOUTH COLLEGE**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2008

The Perkins loans are administered and serviced directly by the College. In addition, the College continues to service Health Professions Student Loans (HPSL) and Health Education Assistance Loans (HEAL) which were issued in previous years. Balances and transactions relating to these loans are included in the College's financial statements. The balances outstanding on these loans at June 30, 2008 are as follows:

Perkins	\$	22,427,226
HPSL		67,663
HEAL		<u>1,301,240</u>
	\$	<u><u>23,796,129</u></u>

For the year ended June 30, 2008, the College claimed \$252,635 in administrative cost allowances related to its student financial assistance programs, which are not included in the Schedule.

**(5) Pass-through Awards**

For the year ended June 30, 2008, the College received awards directly from federal agencies which were passed through to subrecipients. The amounts passed through are as follows:

Research and development	\$	17,552,930
Other		<u>504,910</u>
Total	\$	<u><u>18,057,840</u></u>

These amounts are included in the total expenditures shown on the schedule.



**KPMG LLP**

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**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Dartmouth College:

We have audited the financial statements of Dartmouth College (the College) as of and for the year ended June 30, 2008, and have issued our qualified report thereon dated October 27, 2008. Except as discussed in our opinion on the financial statements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express such an opinion on the College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dartmouth College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The



results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the College in a separate letter dated October 27, 2008.

This report is intended solely for the information and use of the Board of Trustees and management of Dartmouth College, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 27, 2008



**KPMG LLP**

P.O. Box 564  
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**Independent Auditors' Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133**

The Board of Trustees  
Dartmouth College:

We have audited the compliance of Dartmouth College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. The College's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the requirements referred to in the first paragraph above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

**Internal Control over Compliance**

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express such an opinion, on the effectiveness of the College's internal control over compliance.



A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the entity's internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The College's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit the College's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Trustees and management of Dartmouth College, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

March 27, 2009

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**I. Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

Qualified

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes \_\_\_\_\_ no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes \_\_\_\_\_ no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

  X   yes \_\_\_\_\_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Programs or Clusters
Various	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs

\$3,000,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes   X   no

**II. Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None.

## DARTMOUTH COLLEGE

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

### III. Findings and Questioned Costs Relating to Federal Awards

#### Finding 2008-1

<b>Program:</b>	Research and Development Cluster
<b>Award Numbers:</b>	P01CA080139, P20RR018787
<b>CFDA Numbers:</b>	93.394, 92.389
<b>Federal Agencies:</b>	National Institute of Health
<b>Program Year:</b>	July 1, 2007 to June 30, 2008

#### *Criteria upon Which the Audit Finding is Based*

Title to equipment acquired by a nonfederal entity with federal awards vests with the nonfederal entity. Equipment means tangible nonexpendable property, including exempt property charged directly to the award, having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. However, consistent with a nonfederal entity's policy, lower limits may be established.

Institutions of higher education, hospitals, and other nonprofit organizations shall follow the provisions of OMB Circular A-110. OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

OMB Circular A-110 section .34 states that the following:

- (f) The recipient's property management standards for equipment acquired with federal funds and federally owned equipment shall include all of the following.
  - (1) Equipment records shall be maintained accurately and shall include the following information:
    - (i) A description of the equipment, (ii) Manufacturer's serial number, model number, federal stock number, national stock number, or other identification number, (iii) Source of the equipment, including the award number, (iv) Whether title vests in the recipient or the federal government, (v) Acquisition date (or date received, if the equipment was furnished by the federal government) and cost, (vi) Information from which one can calculate the percentage of federal participation in the cost of the equipment (not applicable to equipment furnished by the federal government), (vii) Location and condition of the equipment and the date the information was reported, (viii) Unit acquisition cost, and (ix) Ultimate disposition data, including date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the federal awarding agency for its share.
  - (2) Equipment owned by the federal government shall be identified to indicate federal ownership.
  - (3) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years.

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

***Condition Found***

During our testwork over equipment management, we noted there are 100 departments that receive federal funds and require a physical inventory. For two of the five department inventories selected, the inventory was not completed within the two year requirement.

***Questioned Costs***

None

***Possible Asserted Cause and Effect***

The possible cause of this non compliance appears to be difficulty in coordination of the physical plan and the related custodian. Not maintaining equipment records, performing a physical inventory, and reconciling the equipment to equipment records may result in equipment purchased with federal funds being sold, transferred, or disposed of without knowledge of the College.

***Recommendation***

We recommend that the College implement the necessary policies and procedures to ensure that all departments that received federal funds have a physical inventory performed every two years. Communication to custodians of federal requirements will help ensure that the departments comply with this requirement. The College should follow up for any discrepancies found during the physical inventory be fully documented to support the reconciliation of the records.

***Views of Responsible Official***

The College does have the appropriate policies in place to track all equipment and perform departmental inventories on a bi-annual basis. Turnover in the department equipment custodians for the two departments noted in the audit caused delays in scheduling the physical inventory of their equipment. Both department inventories have been completed at this time. The Fixed Asset Manager will work with department Fiscal Officers to identify appropriate equipment custodians and ensure timely completion of the inventories in the future.

***Contact Person***

Kathy Page, Associate Director, Office of Sponsored Projects

## **DARTMOUTH COLLEGE**

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Finding 2008-2**

**Program:** Research and Development Cluster  
**Award Numbers:** 2003-TK-TX-003, P01A6019783  
**CFDA Numbers:** 16.565, 93.866  
**Federal Agencies:** National Institute of Justice Domestic Anti-Terrorism Technology Development Program, National Institute of Health  
**Program Year:** July 1, 2007 to June 30, 2008

#### ***Criteria upon Which the Audit Finding is Based***

Sub-recipient Monitoring

A pass-through entity is responsible for identifying to the subrecipient the federal award information (e.g., CFDA title and number, award name, name of federal agency) and applicable compliance requirements.

#### ***Condition Found and Perspective***

For five of thirty subrecipients selected for testwork, we noted that the award agreement between the College and the subrecipient did not properly identify the CFDA number or title.

#### ***Questioned Costs***

None

#### ***Possible asserted cause and effect***

The CFDA number was overlooked as a memorandum of understanding was utilized rather than the College's standard subrecipient award. The memorandum of understanding was used due to the complexity of the grant award. The lack of identification of the CFDA number does not provide the subrecipient with information that will be necessary for compliance.

#### ***Recommendation***

We recommend that the College reconsider utilizing non standard subrecipient monitoring agreements. If a different agreement must be used, the Office of Sponsored Projects should review the OMB requirements and ensure that the sub award incorporates all necessary information into the agreement.

#### ***Views of Responsible Officials***

Dartmouth will use a standard boilerplate for all federal subagreements and will include a standard cover page that contains the CFDA number.

#### ***Contact Person***

Kathy Page, Associate Director, Office of Sponsored Projects