



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, 2009

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, 2009

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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, 2009, 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 2008 financial statements and, in our report dated October 27, 2008, 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 M, 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, 2009, 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 23, 2009 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, 2009 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 23, 2009

Dartmouth College

Statement of Financial Position

As of June 30, 2009, with comparative information as of June 30, 2008
(in thousands)

| | 2009 | 2008 |
|---|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 432,409 | \$ 91,040 |
| Receivables and other assets, net | 162,810 | 178,192 |
| Pledges receivable, net | 201,662 | 168,174 |
| Investments held by bond trustees | 155,124 | 53,957 |
| Investments, at estimated fair value | 3,156,884 | 4,134,084 |
| Collateral on securities loaned | 38,520 | 103,781 |
| Land, buildings, equipment, and construction in progress, net | 755,431 | 708,541 |
| Total assets | 4,902,840 | 5,437,769 |
| Liabilities | | |
| Accounts payable and other liabilities | 151,880 | 113,780 |
| Deferred revenues and deposits | 30,353 | 31,366 |
| Liability for split-interest agreements | 43,664 | 60,481 |
| Pension and other employment related obligations | 251,131 | 232,774 |
| Bonds, mortgages, and notes payable, net | 949,887 | 542,809 |
| Liabilities for collateral on securities loaned | 38,520 | 103,781 |
| Conditional asset retirement obligations | 21,675 | 21,309 |
| Government advances for student loans | 19,655 | 19,489 |
| Total liabilities | 1,506,765 | 1,125,789 |
| Total Net Assets | \$ 3,396,075 | \$ 4,311,980 |
| Net Assets | | |
| Unrestricted | \$ 885,213 | \$ 1,248,279 |
| Temporarily restricted | 1,670,230 | 2,267,944 |
| Permanently restricted | 840,632 | 795,757 |
| Total Net Assets | \$ 3,396,075 | \$ 4,311,980 |

See accompanying notes to the financial statements.

Dartmouth College

Statement of Activities

For the year ended June 30, 2009, with summarized financial information for the year ended June 30, 2008

(in thousands)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
|--|-------------------|---------------------------|---------------------------|---------------------|---------------------|
| | | | | 2009 | 2008 |
| Endowment Activities | | | | | |
| Gifts | \$ 149 | \$ 20,886 | \$ 32,874 | \$ 53,909 | \$ 35,875 |
| Net investment return | (195,127) | (495,527) | (838) | (691,492) | 22,209 |
| Distributed for spending | (57,626) | (171,997) | - | (229,623) | (163,098) |
| Other changes | (43,304) | 33,459 | 17,166 | 7,321 | 2,391 |
| Amounts transferred from other funds, net | 22,273 | (217) | 2,564 | 24,620 | 2,548 |
| Increase (decrease) in net assets from endowment activities | (273,635) | (613,396) | 51,766 | (835,265) | (100,075) |
| Operating Activities | | | | | |
| Revenues | | | | | |
| Tuition and fees | 231,833 | - | - | 231,833 | 220,391 |
| Student scholarships | (99,014) | - | - | (99,014) | (86,912) |
| Net tuition and fees | 132,819 | - | - | 132,819 | 133,479 |
| Sponsored research grants and contracts | 172,638 | - | - | 172,638 | 166,339 |
| Dartmouth College Fund and other gifts | 54,009 | 899 | - | 54,908 | 67,023 |
| Distributed endowment investment return | 216,389 | 10,795 | - | 227,184 | 161,428 |
| Other operating income | 55,315 | 31 | - | 55,346 | 85,597 |
| Auxiliaries | 58,084 | - | - | 58,084 | 56,951 |
| Net assets released from donor restrictions | 8,297 | (8,297) | - | - | - |
| Total revenues | 697,551 | 3,428 | - | 700,979 | 670,817 |
| Expenses | | | | | |
| Academic and student programs | 454,542 | - | - | 454,542 | 447,991 |
| Sponsored programs | 124,437 | - | - | 124,437 | 120,520 |
| General institutional services | 90,196 | - | - | 90,196 | 89,134 |
| Auxiliaries | 65,873 | - | - | 65,873 | 67,306 |
| Total expenses | 735,048 | - | - | 735,048 | 724,951 |
| Decrease in expense from postretirement benefit related plan amendments | - | - | - | - | (28,646) |
| Increase (decrease) in net assets from operating activities | (37,497) | 3,428 | - | (34,069) | (25,488) |
| Non-operating Activities | | | | | |
| Gifts | - | 15,988 | - | 15,988 | 53,343 |
| Other non-operating changes, net | (1,170) | (5,929) | - | (7,099) | 5,665 |
| Distributed endowment investment return | 1,524 | 915 | - | 2,439 | 1,670 |
| Increase in outstanding pledges | - | 28,827 | 4,661 | 33,488 | 36,974 |
| Postretirement benefit related changes other than net periodic benefit costs | 1,214 | - | - | 1,214 | 24,445 |
| Disposals and non-capitalized expenditures | (2,846) | (84) | - | (2,930) | (15,100) |
| Net realized and unrealized loss related to interest rate swap agreements | (40,006) | - | - | (40,006) | (42,349) |
| Amounts released from plant gifts and income restrictions | 9,704 | (9,704) | - | - | - |
| Amounts transferred to endowment, net | (20,354) | (4,266) | - | (24,620) | (2,548) |
| Net change in split-interest agreements | - | (13,493) | (11,552) | (25,045) | (11,828) |
| Increase (decrease) in net assets from non-operating activities | (51,934) | 12,254 | (6,891) | (46,571) | 50,272 |
| Increase (decrease) in net assets | (363,066) | (597,714) | 44,875 | (915,905) | (75,291) |
| Net Assets, beginning of year | 1,248,279 | 2,267,944 | 795,757 | 4,311,980 | 4,387,271 |
| Net Assets, end of year | \$ 885,213 | \$ 1,670,230 | \$ 840,632 | \$ 3,396,075 | \$ 4,311,980 |

See accompanying notes to the financial statements.

Dartmouth College

Statement of Operating Expenses

For the year ended June 30, 2009 with summarized financial information for the year ended June 30, 2008

(in thousands)

| | Academic and Student Programs | Sponsored Programs | General Institutional Services | | | | Auxiliaries | Total Expenses | |
|------------------------------------|-------------------------------------|-----------------------|--------------------------------|----------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| | | | Administrative Support | Plant Operation & Maintenance | Development | Total | | 2009 | 2008 |
| Salaries and wages | \$ 181,013 | \$ 55,662 | \$ 23,738 | \$ 18,484 | \$ 18,695 | \$ 60,917 | \$ 15,457 | \$ 313,049 | \$ 300,692 |
| Employee benefits | 77,422 | 17,240 | 9,785 | 7,549 | 7,475 | 24,809 | 6,276 | 125,747 | 128,784 |
| Fellowships and student support | 8,762 | 3,209 | - | - | - | - | - | 11,971 | 11,018 |
| Materials, equipment, and supplies | 32,539 | 11,373 | 5,577 | 4,136 | 2,151 | 11,864 | 15,120 | 70,896 | 72,798 |
| Purchased services | 34,545 | 33,735 | 5,651 | 3,576 | 4,923 | 14,150 | 2,244 | 84,674 | 85,862 |
| Utilities, taxes, and occupancy | - | - | - | 38,328 | - | 38,328 | 6,145 | 44,473 | 42,850 |
| Depreciation | 28,618 | - | 2,387 | 5,238 | 61 | 7,686 | 5,613 | 41,917 | 40,031 |
| Lodging, travel, and similar costs | 16,248 | 2,905 | 1,195 | 62 | 1,408 | 2,665 | 381 | 22,199 | 23,724 |
| Interest and amortization | - | - | - | 16,912 | - | 16,912 | 58 | 16,970 | 16,234 |
| Other expenses | 1,733 | 313 | 550 | 127 | 299 | 976 | 130 | 3,152 | 2,958 |
| | 380,880 | 124,437 | 48,883 | 94,412 | 35,012 | 178,307 | 51,424 | 735,048 | \$ 724,951 |
| Plant operation & maintenance | 73,662 | - | 6,145 | (94,412) | 156 | (88,111) | 14,449 | - | |
| Total expenses for FY09 | \$ 454,542 | \$ 124,437 | \$ 55,028 | \$ - | \$ 35,168 | \$ 90,196 | \$ 65,873 | \$ 735,048 | |
| Total expenses for FY08 | \$ 447,991 | \$ 120,520 | \$ 52,352 | \$ - | \$ 36,782 | \$ 89,134 | \$ 67,306 | | \$ 724,951 |

See accompanying notes to the financial statements.

Dartmouth College

Statement of Cash Flows

For the year ended June 30, 2009, with comparative information for the year ended June 30, 2008

(in thousands)

| | 2009 | 2008 |
|---|----------------|--------------|
| Cash flows from operating activities | | |
| Total decrease in net assets | (\$ 915,905) | (\$ 75,291) |
| Adjustments to reconcile total decrease in net assets to net cash used by operating activities: | | |
| Depreciation, amortization, and loss on debt refinancing | 40,655 | 40,216 |
| Change in estimated value of interest rate swap agreements | 40,006 | 42,349 |
| Other non-cash transactions | 2,054 | 2,070 |
| Contributions, investment income, and other changes restricted for long-term investment | (74,207) | (82,513) |
| Net realized and unrealized investment gains | 773,510 | 41,288 |
| Changes in operating assets and liabilities: | | |
| Receivables and other assets, net | 11,054 | (854) |
| Pledges receivable, net | (33,488) | (36,974) |
| Accounts payable and other liabilities | (5,222) | 15,166 |
| Deferred revenues and deposits | (1,013) | 1,603 |
| Pension and other employment related obligations | 18,357 | (22,687) |
| Net cash used by operating activities | (144,199) | (75,627) |
| Cash flows from investing activities | | |
| Student loans granted | (14,705) | (14,411) |
| Student loans repaid | 8,498 | 8,677 |
| Purchases of land, buildings, and equipment | (90,842) | (93,192) |
| Proceeds from the sale of land, buildings, and equipment | 9 | 137 |
| Net change in split-interest agreements | (16,817) | (12,606) |
| Net change in unsettled trades | (1,954) | (52,064) |
| Purchases of investments | (2,017,344) | (3,658,445) |
| Sales and maturities of investments | 2,221,034 | 3,773,832 |
| Net cash provided by (used by) investing activities | 87,879 | (48,072) |
| Cash flows from financing activities | | |
| Proceeds from issuance of bonds, notes payable, and swap agreements | 537,550 | 7,000 |
| Repayment of bonds, mortgages, notes payable, and swap agreements | (113,067) | (4,902) |
| Decrease (increase) in investments held by bond trustee | (101,167) | 44,496 |
| Contributions, investment income, and other changes restricted for long-term investment in: | | |
| Facilities | 10,045 | 39,953 |
| Endowment, life income, and similar funds | 64,162 | 42,560 |
| Changes in government advances for student loans | 166 | 179 |
| Net cash provided by financing activities | 397,689 | 129,286 |
| Net increase in cash and cash equivalents | 341,369 | 5,587 |
| Cash and cash equivalents, beginning of year | 91,040 | 85,453 |
| Cash and cash equivalents, end of year | \$ 432,409 | \$ 91,040 |

See accompanying notes to the financial statements.

Dartmouth College
Notes to Financial Statements

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 4,100 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, 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 or temporarily 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-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.

Dartmouth College
Notes to Financial Statements

Comparative Financial Information

The 2009 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, 2008, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2009 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. The current economic environment increases the inherent uncertainty in 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 affairs, and central services and administration are reported as general institutional services. Depreciation and facilities operations and maintenance expenses are allocated to functional classifications of expenses based on the square footage of each building. 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.

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.

Dartmouth College
Notes to Financial Statements

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 \$4,296,000 and \$4,395,000 for the years ended June 30, 2009 and 2008, respectively, which are not presented in the Statement of Activities. 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 work-study employment 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, 2011. The College recovered facilities and administrative costs of approximately \$41,965,000 and \$41,322,000 in the years ended June 30, 2009 and 2008, 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 of 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. The College has determined that the provisions of FIN 48 do not have a material effect on the College's financial statements.

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 Memorial Hospital (Hitchcock Hospital), (ii) Dartmouth-Hitchcock Clinic (Clinic), and (iii) Veterans Administration Medical Center of White River Junction, Vermont (VAMC). The staff of the Clinic serves as the primary resource for clinical faculty at DMS, with the Hitchcock Hospital and the VAMC 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.

Dartmouth College
Notes to Financial Statements

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 VAMC, are also parties to a Condominium Ownership Agreement that governs the ownership and operation of the DHMC facilities. During the years ended June 30, 2009 and 2008, the College paid approximately \$20.7 million and \$19.1 million, respectively, and received approximately \$24.3 million and \$21.7 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 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 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 are carried at estimated fair values as defined by Statement of Financial Accounting Standards No. 157 (see Note G). Because many of these investments are not readily marketable, the estimates of fair value involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results. 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 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 \$9,665,000 and \$14,118,000 for the years ended June 30, 2009 and 2008, 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 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.

Effective July 1, 2008, the College adopted the provisions of FASB Staff Position (FSP) FAS 117-1, "*Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*" (FSP 117-1). FSP 117-1 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA), which was adopted by the State of New Hampshire on July 1, 2008, and requires disclosures about endowment funds, both donor-restricted endowment funds and board-designated endowment funds.

The Audit Subcommittee of the Board of Trustees has interpreted New Hampshire UPMIFA for the implementation of FAS 117-1 as requiring preservation of the original value of gifts, as of the gift date, to donor-restricted endowment funds, absent any explicit donor restrictions to the contrary in the gift instrument. As a result of this interpretation for accounting and financial statement purposes, the College classifies the original value of assets donated to permanent endowment as permanently restricted net assets, along with any investment earnings that are directed by the donor to be reinvested in perpetuity (i.e., historic book value).

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. 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.

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.

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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 2.8% (3.8% for FY08), 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 M for additional discussion of third-party charitable trusts.

Investments Held by Bond Trustees

Investments held by Bond Trustees 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 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.

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 sale 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 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.

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Notes to Financial Statements

Recently Adopted Accounting Pronouncements

The College adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), which defines fair value of assets and liabilities, establishes guidelines for measuring fair value, and expands disclosures regarding fair value measurements. FAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements and is effective for fiscal years beginning after November 15, 2007. The adoption of FAS 157 did not have a material effect on the College's financial statements. See Note G for information and related disclosures regarding fair value measurements.

The College elected to apply FASB Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to some of its investments. This standard amends FAS 157 and allows for the estimation of the fair value of investments for investments that do not have a readily determinable fair value using net asset value per share or its equivalent.

The College adopted FASB Statement No. 165, *Subsequent Events* (FAS 165). FAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable accounting standards. The adoption of FAS 165 had no impact on the College's financial statements. See Note N.

B. Receivables and Other Assets

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

| | 2009 | 2008 |
|---|-------------------|-------------------|
| Student accounts | \$ 2,227 | \$ 2,483 |
| Sponsored research grants and contracts | 26,949 | 35,827 |
| Other accounts | 41,438 | 55,927 |
| Notes and student loans | 77,748 | 71,541 |
| <i>Less: allowance for uncollectible accounts</i> | <i>(2,587)</i> | <i>(2,541)</i> |
| Receivables, net | \$ 145,775 | \$ 163,237 |
| Prepaid costs, inventories, and other assets | 17,035 | 14,955 |
| Total receivables, and other assets, net | \$ 162,810 | \$ 178,192 |

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>2009</u> | <u>2008</u> |
|--|-------------------|-------------------|
| Gifts to support operations | \$ 54,908 | \$ 67,023 |
| Gifts for: | | |
| Facilities and student loans | 10,124 | 39,612 |
| Other restricted uses | 5,864 | 13,731 |
| Endowment | 53,909 | 35,875 |
| Split-interest agreements | <u>1,153</u> | <u>6,371</u> |
| Total gifts and pledge payments | <u>\$ 125,958</u> | <u>\$ 162,612</u> |

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>2009</u> | <u>2008</u> |
|---|-------------------|-------------------|
| In one year or less | \$ 76,776 | \$ 64,982 |
| Between one year and five years | 114,833 | 117,950 |
| Six years and after | <u>39,028</u> | <u>2,881</u> |
| Gross pledges receivable | \$ 230,637 | \$ 185,813 |
| Less: present values discount | (14,698) | (11,184) |
| Less: allowance for uncollectible pledges | <u>(14,277)</u> | <u>(6,455)</u> |
| Pledges receivable, net | <u>\$ 201,662</u> | <u>\$ 168,174</u> |

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>2009</u> | <u>2008</u> |
|--------------------------------|-------------------|-------------------|
| Land | \$ 19,098 | \$ 17,752 |
| Buildings | 822,159 | 774,996 |
| Land improvements | 84,982 | 75,374 |
| Equipment | <u>205,083</u> | <u>184,877</u> |
| Land, buildings, and equipment | \$ 1,131,322 | \$ 1,052,999 |
| Less: accumulated depreciation | (475,906) | (435,469) |
| Construction in progress | <u>100,015</u> | <u>91,011</u> |
| Total net book value | <u>\$ 755,431</u> | <u>\$ 708,541</u> |

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.

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As of June 30, 2009 and 2008, the College estimated these obligations to be \$21,675,000 and \$21,309,000 respectively. For the years ended June 30, 2009 and 2008, the Statement of Activities included an increase to accretion expense of \$366,000 and \$151,000, respectively.

E. Endowment

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>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|--|--------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Endowment net assets, July 1, 2008 | \$ 983,125 | \$ 1,969,089 | \$ 707,945 | \$ 3,660,159 |
| Investment return: | | | | |
| Investment income | 4,607 | 13,495 | - | 18,102 |
| Net loss in fair value: | | | | |
| Realized | (15,055) | (43,787) | - | (58,842) |
| Unrealized | <u>(184,679)</u> | <u>(465,235)</u> | <u>(838)</u> | <u>(650,752)</u> |
| Total investment return | (195,127) | (495,527) | (838) | (691,492) |
| Gifts | 149 | 20,886 | 32,874 | 53,909 |
| Distribution of endowment | | | | |
| return to all funds | (57,626) | (171,997) | - | (229,623) |
| Other changes, net | <u>(21,031)</u> | <u>33,242</u> | <u>19,730</u> | <u>31,941</u> |
| Endowment net assets, June 30, 2009 | <u>\$ 709,490</u> | <u>\$ 1,355,693</u> | <u>\$ 759,711</u> | <u>\$ 2,824,894</u> |
| | | | | |
| Endowment net assets, July 1, 2007 | \$ 1,000,073 | \$ 2,092,743 | \$ 667,418 | \$ 3,760,234 |
| Investment return: | | | | |
| Investment income | 11,876 | 32,801 | - | 44,677 |
| Net gain (loss) in fair value: | | | | |
| Realized | 50,507 | 136,693 | - | 187,200 |
| Unrealized | <u>(57,447)</u> | <u>(152,536)</u> | <u>315</u> | <u>(209,668)</u> |
| Total investment return | 4,936 | 16,958 | 315 | 22,209 |
| Gifts | 457 | 4,549 | 30,869 | 35,875 |
| Distribution of endowment | | | | |
| return to all funds | (41,038) | (122,060) | - | (163,098) |
| Other changes, net | <u>18,697</u> | <u>(23,101)</u> | <u>9,343</u> | <u>4,939</u> |
| Endowment net assets, June 30, 2008 | <u>\$ 983,125</u> | <u>\$ 1,969,089</u> | <u>\$ 707,945</u> | <u>\$ 3,660,159</u> |

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 \$1,069,933,000 and \$1,668,368,000 at June 30, 2009 and 2008, respectively.

Dartmouth College
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Endowment net assets consist of the following as of June 30, 2009 (in thousands):

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | \$ (18,708) | \$ 1,291,082 | \$ 759,711 | \$ 2,032,085 |
| Board-designated endowment funds | 728,198 | 64,611 | - | 792,809 |
| Total endowment net assets | <u>\$ 709,490</u> | <u>\$ 1,355,693</u> | <u>\$ 759,711</u> | <u>\$ 2,824,894</u> |

Endowment net assets consist of the following as of June 30, 2008 (in thousands):

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|---------------------|
| Donor-restricted endowment funds | \$ (828) | \$ 1,926,106 | \$ 707,945 | \$ 2,633,223 |
| Board-designated endowment funds | 983,953 | 42,983 | - | 1,026,936 |
| Total endowment net assets | <u>\$ 983,125</u> | <u>\$ 1,969,089</u> | <u>\$ 707,945</u> | <u>\$ 3,660,159</u> |

From time to time, the fair values of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. In accordance with GAAP, events of this nature are reported as reductions in unrestricted net assets and were \$18,708,000 and \$828,000 as of June 30, 2009 and 2008, respectively. These events were a result of market declines since the endowment funds were established. A Board of Trustees policy limits the distribution from these funds to current income only.

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 of Trustees (6.0% and 5.5% for fiscal years 2009 and 2008, respectively). The Board of Trustees approved a one-year distribution of an additional 100 basis points for fiscal year 2009, to be used to help fund operating expenses of some strategic facilities projects, with a cap of 7 percent total distribution for any single fund. Investment return earned in excess of the amount 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.

The overall investment performance objective for the endowment is to generate sufficient returns to support the current operating needs of the College while maintaining the long-term purchasing power of the endowment. The Investment Committee of the Board of Trustees has determined that a well diversified mix of assets offers the best opportunity for maximum return with acceptable risk over time. Historical averages indicate that an annual return between 8% and 10% is needed to provide adequate support for operations while protecting against inflation and covering investment management fees for the long term. An additional goal is to generate return that exceeds the measure of inflation, achieving "real" growth of the endowment. To meet the overall investment performance objective for the endowment, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). Investment decisions are made with a view toward maximizing long-term return opportunities while maintaining an acceptable level of investment risk.

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F. Investments

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

| | <u>2009</u> | <u>2008</u> |
|--|---------------------|---------------------|
| Endowment investments | | |
| Cash equivalents and temporary investments | \$ 49,719 | \$ 46,146 |
| Fixed income | 59,419 | 153,080 |
| Public equity | 630,660 | 997,176 |
| Alternative strategies | 723,466 | 923,368 |
| Limited partnerships and similar investments | 1,262,454 | 1,086,471 |
| Other investments | <u>197,437</u> | <u>514,440</u> |
| Endowment investments | <u>\$ 2,923,155</u> | <u>\$ 3,720,681</u> |
| Split-interest agreement investments | | |
| Cash equivalents and temporary investments | \$ 1,868 | \$ 2,845 |
| Fixed income | 34,311 | 46,964 |
| Public equity | 54,872 | 79,944 |
| Alternative strategies | 525 | 1,259 |
| Limited partnerships and similar investments | 1,570 | 2,975 |
| Other investments | <u>74</u> | <u>621</u> |
| Split-interest agreement investments | <u>\$ 93,220</u> | <u>\$ 134,608</u> |
| Operating and other investments | | |
| Cash equivalents and temporary investments | \$ 6,956 | \$ 54,757 |
| Fixed income | 21,778 | 27,777 |
| Public equity | 12,633 | 13,311 |
| Alternative strategies | 69,040 | 161,586 |
| Limited partnerships and similar investments | 23,685 | 11,963 |
| Other investments | <u>6,417</u> | <u>9,401</u> |
| Operating and other investments | <u>\$ 140,509</u> | <u>\$ 278,795</u> |
| Total investments | <u>\$ 3,156,884</u> | <u>\$ 4,134,084</u> |

Limited partnerships and similar investments consist of limited partnership interests in venture capital, oil and gas, real estate, and other private debt and equity funds. Other investments include real estate holdings and other non-marketable assets.

A receivable for unsettled trades of \$4,724,000 and \$16,767,000 at June 30, 2009 and 2008, respectively, is included in receivables and other assets in the Statement of Financial Position. A payable for unsettled trades of \$4,319,000 and \$18,316,000 at June 30, 2009 and 2008, respectively, is included in accounts payable and other liabilities in the Statement of Financial Position.

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.

Dartmouth College
Notes to Financial Statements

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, 2009 and 2008, the College held forward contracts to sell foreign currencies in the amount of \$95,000 and \$0, respectively.

At June 30, 2009 and 2008, 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 \$31,000 and \$14,000 as of June 30, 2009 and 2008, 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 \$7,000 and \$0 at June 30, 2009 and 2008, 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, 2009 and 2008, the market value of the College's pledged collateral on futures contracts was \$40,000 and \$55,000, respectively. The difference between the estimated value of open futures contracts to sell and purchase securities was a net long position of \$3,757,000 and \$4,943,000 as of June 30, 2009 and 2008, respectively.

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. At June 30, 2009 and 2008, the College had the rights to \$38,520,000 and \$108,222,000, 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, 2009 and 2008, of \$37,528,000 and \$105,535,000, respectively. As of June 30, 2009 and 2008, the College had the rights to cash collateral of \$38,520,000 and \$103,781,000, respectively, which are reflected as assets and related liabilities.

G. Fair Value Measurements

FAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FAS 157 also establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of fair value hierarchy under FAS 157 are as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical investments as of the reporting date. The type of investment in Level 1 includes listed equities held in the name of the College, and excludes listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Dartmouth College
Notes to Financial Statements

The following table summarizes the valuation of the College's assets and liabilities by the FAS 157 fair value hierarchy levels as of June 30, 2009 (in thousands):

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|-------------------|-------------------|---------------------|---------------------|
| Assets: | | | | |
| Investments: | | | | |
| Cash equivalents and temporary investments | \$ 51,587 | \$ - | \$ 6,956 | \$ 58,543 |
| Fixed income | 40,272 | 37,308 | 37,928 | 115,508 |
| Public equity | 204,901 | 493,195 | 69 | 698,165 |
| Alternative strategies | - | 74,030 | 719,001 | 793,031 |
| Limited partnerships and similar investments | - | - | 1,287,709 | 1,287,709 |
| Other investments | <u>2</u> | <u>202,656</u> | <u>1,270</u> | <u>203,928</u> |
| Total investments | 296,762 | 807,189 | 2,052,933 | 3,156,884 |
| Other Assets: | | | | |
| Investments held by bond trustees | 155,124 | - | - | 155,124 |
| Third-party charitable trusts | <u>-</u> | <u>-</u> | <u>9,973</u> | <u>9,973</u> |
| Total Assets | <u>\$ 451,886</u> | <u>\$ 807,189</u> | <u>\$ 2,062,906</u> | <u>\$ 3,321,981</u> |
| Liabilities: | | | | |
| Interest rate swap agreements | <u>\$ -</u> | <u>\$ 81,260</u> | <u>\$ -</u> | <u>\$ 81,260</u> |

Included in the above table are investments for which the College has utilized the net asset value (NAV) reported by each of the underlying funds to estimate the fair value of the investment.

The following table summarizes the College's Level 3 reconciliation by the FAS 157 standards as of June 30, 2009 (in thousands):

| | <u>Alternative Strategies</u> | <u>Limited Partnerships</u> | <u>All Other Assets</u> | <u>Total</u> |
|----------------------------------|-----------------------------------|---------------------------------|-----------------------------|---------------------|
| Balance as of June 30, 2008 | \$ 1,026,003 | \$ 1,432,553 | \$ 100,036 | \$ 2,558,592 |
| Acquisitions / purchases | 1,000 | 308,553 | 2,864 | 312,417 |
| Distributions / sales | (194,108) | (102,094) | (42,323) | (338,525) |
| Investment income | 27,882 | 28,770 | - | 56,652 |
| Unrealized losses on investments | <u>(141,776)</u> | <u>(380,073)</u> | <u>(4,381)</u> | <u>(526,230)</u> |
| Balance as of June 30, 2009 | <u>\$ 719,001</u> | <u>\$ 1,287,709</u> | <u>\$ 56,196</u> | <u>\$ 2,062,906</u> |

Included in All Other Assets in the above table are cash equivalents and temporary investments, fixed income, public equity, other investments, and third-party charitable trusts.

The College owns an interest in each alternative investment fund rather than in the securities underlying each fund, therefore, it is generally required to consider such investments as Level 2 or 3 for purposes of applying FAS 157, even though the underlying securities may not be difficult to value or may be readily marketable. Also, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based on the lowest level input that is significant to the fund in its entirety (e.g., a fund with a mix of underlying Level 1 and 3 investments would be classified entirely as a Level 3 investment). Accordingly, the inputs or methodology used to value or classify investments for financial reporting purposes is not necessarily an indication of the risk associated with investing in those investments or a reflection of the liquidity of each fund's underlying assets and liabilities.

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Notes to Financial Statements

H. Bonds, Mortgages, and Notes Payable

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

| | 2009 | 2008 |
|--|-------------------|-------------------|
| Revenue bonds issued through NHHEFA for the acquisition, installation construction, renovation, and equipping of various academic, research and administrative facilities: | | |
| Series '09, serial bonds maturing through the year 2039, at fixed rates ranging from 3.30% to 4.77% | \$ 198,875 | \$ - |
| Series '07A, serial bonds maturing through the year 2031, at variable rates (ranging from .05% to 9.25% from July 1, 2008 - June 30, 2009) | 89,920 | 89,960 |
| Series '07B, serial bonds maturing through the year 2041, at variable rates (ranging from .05% to 9.25% from July 1, 2008 - June 30, 2009) | 90,000 | 90,000 |
| Series '03, serial bonds maturing through the year 2023, at variable rates (ranging from .15% to 7.70% from July 1, 2008 - June 30, 2009) | 99,500 | 102,700 |
| Series '02, term bonds maturing in the year 2032, at variable rates (ranging from .15% to 7.70% from July 1, 2008 - June 30, 2009) | 101,000 | 101,000 |
| Series '99, term bonds maturing in the year 2019, at a rate of 5.92% | - | 8,845 |
| Series '98, term bonds maturing in the year 2028, at a rate of 5.12% | - | 33,000 |
| Revenue bonds issued through NHHEFA for the renovation of other campus facilities: | | |
| Series '07C, taxable, term bonds maturing in the year 2041, at variable rates (ranging from .42% to 7.70% from July 1, 2008 - June 30, 2009) | 30,000 | 30,000 |
| 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% | 25,730 | 26,005 |
| Subtotal NHHEFA bonds | \$ 644,965 | \$ 491,450 |
| Series '09 taxable, term bonds maturing in the year 2019, at a rate of 4.75% | 250,000 | - |
| Subtotal bonds | \$ 894,965 | \$ 491,450 |
| Mortgages on real estate investments, various maturities through 2037 at fixed and variable rates (ranging from 4.34% to 7.10% from July 1, 2008 - June 30, 2009) | 42,807 | 43,658 |
| Commercial Paper (Taxable Commercial Paper Note, Series A, at a rate of .35%) | 7,000 | 7,000 |
| Note payable, maturing in 2012 at a rate of 5.5% | 917 | 1,183 |
| Subtotal bonds, mortgages, and notes payable | \$ 945,689 | \$ 543,291 |
| Original issue premium (discount), net | 4,198 | (482) |
| Total bonds, mortgages, and notes payable, net | \$ 949,887 | \$ 542,809 |

Dartmouth College
Notes to Financial Statements

Interest expense on debt used to finance facilities projects totaled \$16,514,000 and \$15,845,000, for the years ended June 30, 2009 and 2008, respectively. Interest expense on other operating indebtedness totaled \$305,000 and \$242,000 for the years ended June 30, 2009 and 2008, respectively. Of the interest paid on facilities debt, \$594,000 and \$0 was capitalized in connection with various construction projects for the years ended June 30, 2009 and 2008, respectively.

Interest expense on debt used to finance student loans totaled \$2,024,000 and \$2,036,000 for the years ended June 30, 2009 and 2008, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on other non-operating indebtedness totaled \$4,955,000 and \$972,000 for the years ended June 30, 2009 and 2008, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on mortgages and debt used to finance endowment-related real estate projects totaled \$1,852,000 and \$1,627,000 for the years ended June 30, 2009 and 2008, respectively, and is presented as a deduction in endowment net investment return in the Statement of Activities.

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

| <u>June 30</u> | <u>Principal Due</u> |
|----------------|----------------------|
| 2010 | \$ 11,818 |
| 2011 | 5,007 |
| 2012 | 5,209 |
| 2013 | 14,524 |
| 2014 | 8,493 |
| Thereafter | <u>900,638</u> |
| Total | <u>\$ 945,689</u> |

Principal due after June 30, 2014 includes the following "balloon" payments due on the College's indebtedness (in thousands):

| <u>June 30</u> | <u>Indebtedness</u> | <u>Payment</u> |
|----------------|--------------------------------------|----------------|
| 2017 | Mortgages on real estate investments | \$ 18,100 |
| 2019 | NHHEFA Series 2009 bonds | \$ 7,920 |
| 2019 | 2009 Series A bonds | \$ 250,000 |
| 2023 | NHHEFA DELC Series 1998 bonds | \$ 15,300 |
| 2027 | NHHEFA Series 2007A bonds | \$ 31,820 |
| 2028 | NHHEFA Series 2009 bonds | \$ 32,190 |
| 2028 | NHHEFA Series 2007A bonds | \$ 52,060 |
| 2029 | NHHEFA Series 2009 bonds | \$ 20,000 |
| 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 |
| 2039 | NHHEFA Series 2009 bonds | \$ 138,765 |
| 2041 | NHHEFA Series 2007B bonds | \$ 72,000 |
| 2041 | NHHEFA Series 2007C bonds | \$ 30,000 |

Dartmouth College
Notes to Financial Statements

The estimated fair value of the bonds was approximately \$892,566,000 and \$496,913,000 as of June 30, 2009 and 2008, 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.

At June 30, 2008, the College was party to six interest rate swap transactions designed to manage the College's interest costs and risks associated with variable rate debt. The estimated fair value of these agreements was \$23,576,000, and was included in other liabilities as of June 30, 2008. During fiscal year 2009, the College terminated these interest rate swap agreements, resulting in a realized loss of \$43,014,000, which is included as a non-operating activity in the Statement of Activities.

During fiscal year 2009, the College entered into six new interest rate swap agreements. Information related to these interest rate swap agreements as of June 30, 2009, including the fixed interest rate paid by the College and percent of LIBOR BBA (1 month) received on the notional principal, is presented in the table below (in thousands):

| Expiration Date | Notional Amount | Fixed Interest Rate % | % of LIBOR BBA |
|--------------------|--------------------|-----------------------------|----------------------|
| 06/01/2032 | \$ 100,000 | 3.75 | 67 |
| 06/01/2041 | \$ 100,000 | 3.73 | 70 |
| 06/01/2027 | \$ 32,000 | 3.77 | 72 |
| 06/01/2028 | \$ 52,800 | 3.78 | 72 |
| 06/01/2042 | \$ 100,000 | 3.73 | 70 |
| 06/01/2043 | \$ 165,000 | 3.74 | 70 |

The fair value of the College's liability under these agreements on the date they were entered into was approximately \$84,268,000. The estimated fair value of these agreements at June 30, 2009, based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately \$81,260,000 and is included in other liabilities in the Statement of Financial Position. The decrease of \$3,008,000 in the estimated liability is presented as an unrealized gain in the non-operating section of the Statement of Activities. Net payments or receipts under the swap agreements associated with facilities debt are reflected as interest expense. These financial instruments involve counter-party credit exposure. The counter-parties for these swap transactions are two major financial institutions that meet the College's criteria for financial stability and creditworthiness.

The College maintains stand-by bond purchase agreements totaling approximately \$420,000,000 to provide alternative liquidity to support the College's variable rate bonds. There were no amounts outstanding at June 30, 2009 and 2008 under these agreements.

In August 2008, the College established a \$175 million line of credit to provide near-term liquidity, which matured on August 7, 2009. This line of credit was renewed on that date and has a maturity date of August 7, 2011. There have been no borrowings by the College under this line of credit.

Dartmouth College
Notes to Financial Statements

I. 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):

| | <u>2009</u> | <u>2008</u> |
|--|--------------------------|--------------------------|
| Retirement and postretirement benefits | \$ 219,221 | \$ 204,013 |
| Compensated absences, severance plans, and other commitments | 20,745 | 20,512 |
| Self-insured benefits | <u>11,165</u> | <u>8,249</u> |
| Total employment related obligations | <u>\$ 251,131</u> | <u>\$ 232,774</u> |

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 are enrolled in the defined contribution plan. The College's postretirement medical benefits consist of medical insurance coverage for retirees.

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

| | <u>Pension Benefits</u> | | <u>Postretirement Benefits</u> | |
|--|---------------------------|-------------------------|--------------------------------|----------------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Change in benefit obligation: | | | | |
| Beginning of year | \$ 90,528 | \$ 97,294 | \$ 198,860 | \$ 223,212 |
| Service cost | 2,683 | 3,244 | 10,298 | 13,096 |
| Interest cost | 6,073 | 5,934 | 13,780 | 13,830 |
| Plan amendments | - | - | - | (28,646) |
| Benefits paid | (6,307) | (6,513) | (3,409) | (3,860) |
| Actuarial (gain)/loss | <u>1,425</u> | <u>(9,431)</u> | <u>(23,717)</u> | <u>(18,772)</u> |
| End of year | <u>\$ 94,402</u> | <u>\$ 90,528</u> | <u>\$ 195,812</u> | <u>\$ 198,860</u> |
| Change in estimated fair value of plan assets: | | | | |
| Beginning of year | \$ 90,842 | \$ 95,564 | \$ - | \$ - |
| Actual return on plan assets | (13,677) | (3,209) | - | - |
| Employer contributions | 5,000 | 5,000 | 3,409 | 3,860 |
| Benefits paid | <u>(6,307)</u> | <u>(6,513)</u> | <u>(3,409)</u> | <u>(3,860)</u> |
| End of year | <u>\$ 75,858</u> | <u>\$ 90,842</u> | <u>\$ -</u> | <u>\$ -</u> |
| Funded status (plan assets less than benefits obligation) | <u>\$ (18,544)</u> | <u>\$ 314</u> | <u>\$ (195,812)</u> | <u>\$ (198,860)</u> |

Dartmouth College
Notes to Financial Statements

| | Pension Benefits | | Postretirement Benefits | |
|---|------------------|----------|-------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Net periodic benefit (income) cost included the following: | | | | |
| Service cost | \$ 2,683 | \$ 3,244 | \$ 10,298 | \$ 13,096 |
| Interest cost | 6,073 | 5,934 | 13,780 | 13,830 |
| Expected return on assets | (6,744) | (6,382) | - | - |
| Amortization of prior service cost | 954 | 954 | (4,158) | - |
| Recognized net actuarial loss | - | 221 | 2,546 | 4,185 |
| Net periodic benefit cost | \$ 2,966 | \$ 3,971 | \$ 22,466 | \$ 31,111 |

Weighted-average assumptions:

| | | | | |
|---|-------|-------|-------|-------|
| Discount rate used to determine net periodic benefit cost | 7.00% | 6.25% | 7.00% | 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 | 6.80% | 7.00% | 7.00% | 7.00% |

The estimated net (income) cost that will be amortized from accumulated other comprehensive income into net periodic benefit cost during the 2010 fiscal year for the pension benefits and the postretirement benefits are \$904,965 and (\$3,448,408), respectively.

On March 4, 2008, the College announced changes to its postretirement health insurance plan that became 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 determined the percentage of 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 are eligible to purchase the retiree group health insurance if they qualify at retirement. These plan changes resulted 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 result in lower annual plan expenses beginning in fiscal year 2009.

For the year ending June 30, 2009, the increase in pension and other employment related obligations, increase in total liabilities, and decrease in unrestricted net assets of \$24,218,000 consists of the following (in thousands):

| | Pension Benefits | Postretirement Benefits | Total |
|--|---------------------|----------------------------|------------|
| Amounts recognized in non-operating activities: | | | |
| Net actuarial (gain) loss | \$ 21,846 | \$ (23,717) | \$ (1,871) |
| Amortization of gain | - | (2,547) | (2,547) |
| Amortization of prior service cost | (954) | 4,158 | 3,204 |
| Total | 20,892 | (22,106) | (1,214) |
| Amounts recognized in operating activities: | | | |
| Net periodic pension cost | 2,966 | 22,466 | 25,432 |
| Total | \$ 23,858 | \$ 360 | \$ 24,218 |

Dartmouth College
Notes to Financial Statements

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

| | <u>2009</u> | <u>2008</u> |
|--|------------------|------------------|
| Cash and cash equivalents | \$ 854 | \$ 770 |
| Fixed income securities | 29,422 | 29,881 |
| Equity securities | 38,130 | 50,069 |
| Limited partnerships and similar investments | <u>7,452</u> | <u>10,122</u> |
| Total investments | <u>\$ 75,858</u> | <u>\$ 90,842</u> |

The investment objective of the defined benefit pension plan (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 2010.

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):

| | <u>Pension</u> | <u>Postretirement</u> |
|------------------|-----------------|-----------------------|
| | <u>Benefits</u> | <u>Benefits</u> |
| 2010 | \$ 7,300 | \$ 4,812 |
| 2011 | 5,300 | 5,257 |
| 2012 | 5,600 | 5,854 |
| 2013 | 5,900 | 6,659 |
| 2014 | 6,300 | 7,504 |
| Years 2015 -2019 | 40,400 | 53,935 |

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 9.0% and 9.75% in year 2010, decrease gradually to 5% and 6% in fiscal year 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 | \$ 4,887 | \$ (3,814) |
| Increase (decrease) in postretirement benefit obligation | \$ 35,840 | \$ (28,574) |

Dartmouth College
Notes to Financial Statements

The College also maintains defined contribution retirement plans for its 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, 2009 and 2008 were \$24,282,000 and \$23,125,000, respectively.

J. Other Operating Income

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

| | <u>2009</u> | <u>2008</u> |
|--|-------------------------|-------------------------|
| Medical School clinical services and other support | \$ 45,000 | \$ 42,038 |
| Foreign study and continuing education programs | 13,239 | 14,766 |
| Student activities and other program revenue | 10,466 | 11,549 |
| Athletics revenues | 3,380 | 3,071 |
| Hopkins Center and Hood Museum | 1,750 | 1,812 |
| Other revenues | 13,489 | 11,318 |
| Investment income (loss) | <u>(31,978)</u> | <u>1,043</u> |
| Total other operating income | <u>\$ 55,346</u> | <u>\$ 85,597</u> |

K. Net Assets

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

| | <u>2009</u> | | | |
|--|--------------------------|-----------------------------------|-----------------------------------|----------------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Detail of net assets: | | | | |
| Operating funds | \$ 111,178 | \$ 70,434 | \$ - | \$ 181,612 |
| Pledges | - | 151,042 | 50,620 | 201,662 |
| Postretirement benefit obligation | (195,812) | - | - | (195,812) |
| Third-party charitable trusts | - | 7,041 | 2,932 | 9,973 |
| Facilities, equipment, and capital projects | 328,359 | 38,810 | - | 367,169 |
| Estimated value of interest rate swap agreements | (81,260) | - | - | (81,260) |
| Funding for student loans | 13,258 | 25,023 | - | 38,281 |
| Life income, annuity, and similar funds | - | 22,187 | 27,369 | 49,556 |
| Endowment and similar funds | <u>709,490</u> | <u>1,355,693</u> | <u>759,711</u> | <u>2,824,894</u> |
| Total net assets | <u>\$ 885,213</u> | <u>\$ 1,670,230</u> | <u>\$ 840,632</u> | <u>\$ 3,396,075</u> |

Dartmouth College
Notes to Financial Statements

| | 2008 | | | Total |
|--|---------------------|---------------------------|---------------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| Detail of net assets: | | | | |
| Operating funds | \$ 161,923 | \$ 63,135 | \$ - | \$ 225,058 |
| Pledges | - | 122,215 | 45,959 | 168,174 |
| Postretirement benefit obligation | (198,860) | - | - | (198,860) |
| Third-party charitable trusts | - | 7,720 | 2,728 | 10,448 |
| Facilities, equipment, and capital projects | 305,676 | 45,048 | - | 350,724 |
| Estimated value of interest rate swap agreements | (23,576) | - | - | (23,576) |
| 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 | <u>983,125</u> | <u>1,969,089</u> | <u>707,945</u> | <u>3,660,159</u> |
| Total net assets | <u>\$ 1,248,279</u> | <u>\$ 2,267,944</u> | <u>\$ 795,757</u> | <u>\$ 4,311,980</u> |

L. Commitments and Contingencies

Outstanding commitments on uncompleted construction contracts total \$84,542,000 at June 30, 2009.

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, 2009, the College had unfunded commitments of \$823,494,000 payable through 2019.

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.

M. 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, 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.

Dartmouth College
Notes to Financial Statements

As of June 30, 2009 and 2008, 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, 2009 and 2008. If the College's interest in these trusts were 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.

N. Subsequent Events

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2009 and through October 23, 2009, the date on which the financial statements were issued.

DARTMOUTH COLLEGE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| | Award # | Total expenditures |
|---|-----------------------|-----------------------|
| Major programs: | | |
| Research and development: | | |
| U.S. Department of Health and Human Services: | | |
| Direct awards (93.RD): | | |
| National Institute of Health | | \$ 78,562,162 |
| National Institute of Health Research Training | | 2,293,760 |
| Public Health Services Center | | 1,520,495 |
| 93.701 ARRA – Nat’l Cancer Institute (NCI) | R01CA105038 | 52 |
| 93.701 ARRA – Nat’l Cancer Institute (NCI) | Pre-Award | 17,782 |
| 93.701 ARRA – Nat’l Inst on Drug Abuse (NIDA) | R01DA025211 | 17,064 |
| | | 34,898 |
| American Recovery and Reinvestment Act total | | 34,898 |
| Subtotal | | 82,411,315 |
| Subagreements: | | |
| 93.000 Angion Biomedica Corporation | n/a | 108,457 |
| 93.000 Beth Israel Deaconess Medical Center | BIDMC | 3,839 |
| 93.855 Boston University | 7862-5 | 7,521 |
| 93.855 Boston University | 3361-5 | 64,644 |
| 93.846 Boston University | GC202593NGC | 155,683 |
| 93.000 Brandeis University | TASK 01 | 4,713 |
| 93.397 Brigham & Women’s Hospital | MOD 3 | 4,287 |
| 93.397 Brigham & Women’s Hospital | MOD 04 | 4,285 |
| 93.393 Brigham & Women’s Hospital | 115911 | 33,860 |
| 93.393 Brigham & Women’s Hospital | 113956-0002 | 54,165 |
| 93.866 Brown University | 228 | 48,352 |
| 93.866 Brown University | 229 | 3,037 |
| 93.853 Brown University | 197 | 11,233 |
| 93.393 Brown University | 00000181/P252642 | 105,590 |
| 93.865 Childrens Hospital Boston | CHB | 1,465 |
| 93.865 Childrens Hospital Boston | CHB | (2,599) |
| 93.865 Childrens Hospital Boston | CHB | (239) |
| 93.865 Childrens Hospital Boston | CHB | (2,393) |
| 93.865 Childrens Hospital Boston | CHB | 379,105 |
| 93.865 Childrens Hospital Boston | CHB | 237,541 |
| 93.865 Childrens Hospital Boston | Pre-award | 136,153 |
| 93.865 Childrens Hospital Boston | Pre-award | 65,205 |
| 93.103 Childrens Hospital Boston | 268893 | 4,143 |
| 93.000 Colorado Foundation for Medical Care | n/a | 11,262 |
| 93.113 Columbia University | 10 | 11,557 |
| 93.243 Community Connections | 1H79SM058316-01 | 41,021 |
| 93.000 Community Connections | COMM CONNECTIONS | 17,850 |
| 93.989 Cornell University | 7091053 | 78,781 |
| 93.000 Creare, Inc. | 39475 | 243 |
| 93.859 Duke University | 08-SC-NIH-1057 | 29,256 |
| 93.143 Duke University | 08-SC-NIH-1088 | 27,925 |
| 93.000 Duke University | 2000GGM608 | (1,101) |
| 93.000 Duke University | 4520675215 | 18,350 |
| 93.000 Duke University | 2000 G GM608 | 49,901 |
| 93.000 Dynamic Clinical Systems, Inc. | SBIR Topic 212 | 4,236 |
| 93.393 Emory University | 5-40635-G1 | 23,494 |
| 93.000 Feinstein Institute for Medical Research | pre-award | 35 |
| 93.853 Fox Chase Cancer Center | 11277-01 | 17,039 |
| 93.395 Fox Chase Cancer Center | 16186-04 | (64) |
| 93.395 Fox Chase Cancer Center | 16186-05 | 19,798 |
| 93.393 Fred Hutchinson Cancer Research Center | 655603 | 38,383 |
| 93.399 Group Health Research Institute | CA079689-10-Dartmouth | 29,345 |
| 93.855 Harvard University | 148988.057 | 75,227 |
| 93.393 Harvard University | 112904 | (41) |
| 93.000 ImmuRx Inc | PRE-AWARD | 14,920 |
| 93.866 Indiana University | Amend 1 | 105,605 |
| 93.000 Indiana University | 10788 | 630 |
| 93.859 Johns Hopkins University | 8505-03011 | 74,112 |
| 93.838 Johns Hopkins University | 2000142940 | 18,242 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|---|---------------------------|-------------------------------|
| 93.399 Johns Hopkins University | 2000010033 | \$ 73,625 |
| 93.393 Johns Hopkins University | n/a | 34,063 |
| 93.000 Johns Hopkins University | 2000456531 | 127,295 |
| 93.172 Lehigh University | 541370-78001 | 18,978 |
| 93.172 Lehigh University | 541370-78001 | 75,852 |
| 93.000 Les Centres Gheskio | n/a | 71,062 |
| 93.837 Maine Medical Center | MAINE | 41,542 |
| 93.395 Massachusetts General Hospital | MASS GENERAL | (4,135) |
| 93.395 Massachusetts General Hospital | 213580 | 105,726 |
| 93.279 Massachusetts General Hospital | 206321 | 75,099 |
| 93.279 Massachusetts General Hospital | 206321 | 1,252 |
| 93.848 Mayo Clinic | IU01DK65713-01-A | 11,093 |
| 93.848 Mayo Clinic | 5U01DK065713-03 | 27,080 |
| 93.837 MedStar Research Institute | 1820B | 14,263 |
| 93.395 National Childhood Cancer Foundation | 98543-1118 | 29,306 |
| 93.000 National Childhood Cancer Foundation | 17549 | 13,029 |
| 93.000 New Health Sciences, Inc. | DC\729279.1 | 13,673 |
| 93.242 NH Div of Community Based Care Services | 010-092-7868-091 | 79,819 |
| 93.283 NH Div of Epidemiology & Vital Statistics | 710374 | 4,140 |
| 93.283 NH Div of Public Health Services | 190138 | 446,600 |
| 93.283 NH Div of Public Health Services | 190138 | 127,080 |
| 93.000 Olmstead Medical Center | OMC | 25,895 |
| 93.000 Physical Sciences, Inc. | SC46582-1579-46 | 61,939 |
| 93.242 Princeton University | 1524 | 29,849 |
| 93.242 Princeton University | 1524 | 71,038 |
| 93.000 Psychological Applications | PA | 2 |
| 93.000 Psychological Applications | PA | (2,800) |
| 93.859 Purdue University | 8000015743-01 | 83,465 |
| 93.000 Radiation Monitoring Devices, Inc. | C09-24 | 14,969 |
| 93.000 Research Foundation for Mental Hygiene, Inc. | pre-award | 75 |
| 93.000 Simbex | HD48638 | 210 |
| 93.000 Simbex | HD48638 | 57,914 |
| 93.000 Simbex | HD48638 | 58,560 |
| 93.242 Social & Scientific Systems, Inc | BRS-IMPCT-Q-06-00144-T001 | 1,636 |
| 93.242 Social & Scientific Systems, Inc | BRS-IMPCT-Q-06-00144-T001 | 327,403 |
| 93.867 Thomas Jefferson University | PRE-AWARD | (6,705) |
| 93.867 Thomas Jefferson University | 080-19250-R78203 | (8,665) |
| 93.867 Thomas Jefferson University | 080-19250-R78204 | 67,212 |
| 93.867 Thomas Jefferson University | 080-19250-R92701 | 59,668 |
| 93.859 Tufts University | HS0356 | 93,176 |
| 93.859 Tufts University | HS4205 | 19,670 |
| 93.847 Tufts University | M250001-HS2004 | 22,918 |
| 93.866 Univ of Colorado-Denver & Health Sciences Center | FY06.272.002 | 37,712 |
| 93.399 University of California, Irvine | 2003-1344 | 15,418 |
| 93.399 University of California, Irvine | 2003-1344 | 9,829 |
| 93.399 University of California, Irvine | 2003-1343 | 41,385 |
| 93.242 University of California, San Diego | 10288895 | 4,671 |
| 93.867 University of California, San Francisco | 4293SC | 35,783 |
| 93.000 University of Chicago | 35704 | 193,052 |
| 93.837 University of Connecticut Health Center | 817108 | 84,601 |
| 93.867 University of Dayton Research Institute | RSC07040 | 33,756 |
| 93.273 University of Georgia | RR274-272/4688298 | 42,477 |
| 93.242 University of Iowa | 1 11843 00 | 2,583 |
| 93.866 University of Michigan | F015416 | 188,594 |
| 93.399 University of Michigan | 3001000742 | 84,521 |
| 93.399 University of Michigan | 3001188166 | 33,800 |
| 93.242 University of North Carolina at Chapel Hill | 5-32997 | (1,048) |
| 93.853 University of Pennsylvania | 547719 | 14,314 |
| 93.838 University of Pennsylvania | n/a | 2,399 |
| 93.838 University of Pittsburgh | 7065 | 63,680 |
| 93.855 University of Rochester | 413954-G | 75,873 |
| 93.855 University of Rochester | 414374-G | 598,344 |
| 93.393 University of Southern California | H35327 | 5,698 |
| 93.393 University of Southern California | H35333 | 42,858 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|--|----------------------|-------------------------------|
| 93.393 University of Southern California | H40024 | \$ 313,053 |
| 93.393 University of Texas, M D Anderson Cancer Center | 20363/98012113 | 38,092 |
| 93.393 University of Texas, M D Anderson Cancer Center | PRE-AWARD | 15,871 |
| 93.000 University of Vermont | Pre-Award | 17,986 |
| 93.396 University of Virginia | GC11088-121662 | 25,140 |
| 93.000 University of Virginia | Pre-Award | 4,142 |
| 93.393 University of Washington | 885102 | 80,969 |
| 93.242 University of Wisconsin-Madison | X330783 | 84,572 |
| 93.395 Wayne State University | WSU08037 | 21,008 |
| 93.000 Westat, Inc. | 8101-S05 | <u>(10,222)</u> |
| Subtotal | | <u>6,698,835</u> |
| U.S. Department of Health and Human Services total | | <u>89,110,150</u> |
| National Science Foundation: | | |
| Direct awards (47.RD) | | <u>7,616,245</u> |
| | | <u>7,616,245</u> |
| Subagreements: | | |
| 47.050 Boston University | GC176992NGA | 479,969 |
| 47.078 Montana State University | G125-09-W-1837 | 28,468 |
| 47.070 New York University | F6111-02 | 6,423 |
| 47.078 Ohio State University Research Foundation | RF01016863 | (22) |
| 47.078 Ohio State University Research Foundation | RF01016863 | 22 |
| 47.00 Portland State University | 208FOU073 | 75,239 |
| 47.000 Portland State University | 208HAM121 | 28,462 |
| 47.074 Purdue University | 4101-19822 | 226,838 |
| 47.000 Sound Innovations | SOUND | 57,281 |
| 47.070 University of Connecticut | 4454 | 13,206 |
| 47.070 University of Illinois | 2005-04510-03 | 101,260 |
| 47.078 University of Maine | UM-S620 | 16,647 |
| 47.080 University of New Hampshire | 08-035 | 88,968 |
| 47.080 University of New Hampshire | 08-035 | 27,374 |
| 47.080 University of New Hampshire | 09-064 | 1,521 |
| 47.080 University of New Hampshire | 09-064 | 1,910 |
| 47.074 University of North Carolina at Chapel Hill | 5-54525 | 237,495 |
| 47.001 University of Wisconsin-Madison | G074476 | 93,065 |
| 47.075 U.S. Civilian Research & Development Foundation | GEG2-3342-TB-06 | 1,967 |
| 47.075 Woods Hole Research Center | D2007A | <u>16,182</u> |
| Subtotal | | <u>1,502,275</u> |
| National Science Foundation total | | <u>9,118,520</u> |
| U.S. Department of Defense: | | |
| Direct awards (12.RD) | | <u>5,144,754</u> |
| | | <u>5,144,754</u> |
| Subagreements: | | |
| 12.000 BAE Systems National Security Solutions Inc. | 70985 | 38,469 |
| 12.800 Cal State L.A. Auxiliary Services, Inc. | DART – CRESPI 230391 | 61,498 |
| 12.300 Creare, Inc. | 49083 | 746 |
| 12.300 Creare, Inc. | 52444 | 36,898 |
| 12.000 Creare, Inc. | 47284 | 1,029 |
| 12.000 Massachusetts General Hospital | 208608 | 72,084 |
| 12.420 Milcord, LLC | SC-0911-01 | 27,736 |
| 12.420 Rutgers the State University | 3416 | 173,563 |
| 12.800 Securboration, Inc. | n/a | 18,824 |
| 12.000 Securboration, Inc. | STTR PHASE II | 86,723 |
| 12.000 Securboration, Inc. | FUSED INTENT | 20,064 |
| 12.000 Sky Research, Inc. | 08-1573 | 23,187 |
| 12.000 Sky Research, Inc. | 08-1572-Dartmouth | 13,609 |
| 12.630 Sound Innovations | STTR | 17,350 |
| 12.431 Triton Systems, Inc | TSI-4029-08-78777 | 59,915 |
| 12.300 University of Alaska, Fairbanks | 08-0115 | 36,599 |
| 12.431 University of California, San Diego | 10291747 | 31,289 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|--|-------------------|-------------------------------|
| 12.800 University of Maryland | Z805403 | \$ 122,576 |
| 12.300 University of Maryland | Z882803 | 88,292 |
| 12.431 University of Wisconsin-Madison | F210070 | 23,306 |
| 12.431 University of Wisconsin-Madison | F307145 | 51,405 |
| 12.300 Virginia Polytechnic Institute & State University | CR-19715-425773 | 66,831 |
| Subtotal | | <u>1,071,993</u> |
| U.S. Department of Defense total | | <u>6,216,747</u> |
| U.S. National Aeronautics and Space Administration: Direct awards (43.RD) | | <u>2,747,065</u> |
| | | <u>2,747,065</u> |
| Subagreements: | | |
| 43.001 Jet Propulsion Laboratory | 1226828 | 218,764 |
| 43.001 Jet Propulsion Laboratory | Master | 2,359 |
| 43.001 Jet Propulsion Laboratory | Master | 2,857 |
| 43.000 Jet Propulsion Laboratory | 1341780 | 7,691 |
| 43.000 Jet Propulsion Laboratory | 1371398 | 2,207 |
| 43.000 Massachusetts Institute of Technology | 5710002466 | 20,830 |
| 43.000 Regents of the University of Minnesota | X5336545104 | 171 |
| 43.001 Science Systems and Applications, Inc. | 2616-08-032 | 28,108 |
| 43.001 Science Systems and Applications, Inc. | 2616-08-032 | 19,423 |
| 43.001 Smithsonian Astrophysical Observatory (SAO) | G08-9065B | 208 |
| 43.001 Space Telescope Science Institute | HSTGO09890 | 10,821 |
| 43.001 Space Telescope Science Institute | HST-GO-11337.02-A | 14,281 |
| 43.000 Space Telescope Science Institute | HST-GO-10775.04A | 18,460 |
| 43.000 University of New Hampshire | 08-015 | 29,048 |
| Subtotal | | <u>375,228</u> |
| U.S. National Aeronautics and Space Administration total | | <u>3,122,293</u> |
| U.S. Department of Agriculture: Direct awards (10.RD) | | <u>373,947</u> |
| | | <u>373,947</u> |
| Subagreements: | | |
| 10.652 University of New Hampshire | PZ09-013 | 532 |
| 10.200 University of California, Davis | SA7278 | 1,011 |
| Subtotal | | <u>1,543</u> |
| U.S. Department of Agriculture total | | <u>375,490</u> |
| U.S. National Oceanic and Atmospheric Administration: Subagreements: | | |
| 11.400 Ctr Cultural-Tech Interchange Between E & W, Inc. | PRE-AWARD | (23,269) |
| 11.000 Ecosystems Research Group, Ltd. | n/a | 4,907 |
| 11.432 University of Michigan | F014563 | 11,615 |
| 11.417 University of New Hampshire | 08-098 | 39,269 |
| 11.417 University of New Hampshire | 08-098 | 33,976 |
| Subtotal | | <u>66,498</u> |
| U.S. National Oceanic and Atmospheric Administration total | | <u>66,498</u> |
| U.S. Department of Commerce: Direct awards (11.RD) | | <u>4,660,298</u> |
| U.S. Department of Commerce total | | <u>4,660,298</u> |
| U.S. Department of Justice: Direct awards (16.RD) | | <u>(32)</u> |
| U.S. Department of Justice total | | <u>(32)</u> |
| Veteran's Administration: Direct awards (27.RD) | | <u>438,715</u> |
| Veteran's Administration total | | <u>438,715</u> |

DARTMOUTH COLLEGE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| | Award # | Total expenditures |
|--|--------------------------|--------------------|
| U.S. Department of Energy: Direct awards (81.RD) | | \$ 407,517 |
| | | 407,517 |
| Subagreements: | | |
| 81.049 Ames Laboratory | SC-07-301 | 53,382 |
| 81.000 Mascoma Corporation | BESC | 1,816,785 |
| 81.057 University of Connecticut | 5207 | 10,440 |
| 81.000 University of Maryland | Q314301 | 52,653 |
| 81.000 University of New Hampshire | 08-028 | 214,129 |
| Subtotal | | 2,147,389 |
| U.S. Department of Energy total | | 2,554,906 |
| U.S. Department of Homeland Security: Direct awards (97.RD) | | 10,170,783 |
| | | 10,170,783 |
| Subagreements: | | |
| 97.065 Utah State University Research Foundation | CP0007652 | 78,634 |
| 97.061 Univ of Colorado-Denver & Health Sciences Center | 56485 | 23,529 |
| 97.061 University of Maryland | Z930113 | 108,891 |
| Subtotal | | 211,054 |
| U.S. Department of Homeland Security total | | 10,381,837 |
| U.S. Environmental Protection Agency: Direct awards (66.RD) | | 319,418 |
| | | 319,418 |
| Subagreements: | | |
| 66.509 Colorado School of Mines | 4-42760/15220 | 25,061 |
| 66.509 Duke University | 06-SC-EPA-1059 | 8,271 |
| Subtotal | | 33,332 |
| U.S. Environmental Protection Agency total | | 352,750 |
| U.S. Department of Education: Direct awards (84.RD) | | 303,411 |
| | | 303,411 |
| Other federal awards: | | |
| Subagreements: | | |
| 98.855 Harvard University | 148988.0582 | 138,619 |
| 15.647 Hawk Migration Association of North America | n/a | 27,643 |
| 15.FFB National Fish & Wildlife Foundation | 2004-0010-022 | 2,021 |
| 96.007 University of Michigan | 10-M-98362-5-01 | 73,205 |
| 96.000 Westat, Inc. | 8225-S-01 | 785,131 |
| Total other federal awards | | 1,026,619 |
| Total research and development/research training | | 127,728,202 |
| Student Financial Assistance: U.S. Department of Education: Direct awards: | | |
| 84.033 Work Study FY09 | P033A082503 | 1,137,058 |
| 84.063 SEOG FY09 | P007A082503 | 799,883 |
| 84.063 Pell Awards | P063P081791 | 1,795,920 |
| 84.375 ACG FY09 | P375A081791 | 157,356 |
| 84.376 SMART Grants | P376S081791 | 103,984 |
| 84.063 SEOG 2007/2008 | P007A072503 | (105,545) |
| 84.033 Work Study 07/08 | 07/08 Work Study Program | (15,018) |
| 84.063 Pell Grants 2007-2008 | 2007/2008 PELL | 476 |
| U.S. Department of Education total | | 3,874,114 |
| Total major programs | | 131,602,316 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|---|--------------------|-------------------------------|
| Nonmajor programs: | | |
| U.S. Department of Health and Human Services | | |
| Direct awards: | | |
| 93.000 Centers for Disease Control (Non LOC) | 05IPA28206.02 | \$ (3,203) |
| 93.000 Centers for Disease Control (Non LOC) | 212-2008-M-26966 | 2,670 |
| 93.000 Nat'l Cancer Institute (NCI) | Pre-Award | 4,855 |
| 93.000 Nat'l Inst on Drug Abuse (NIDA) | HHSN271200800711P | 8,998 |
| 93.000 Nat'l Inst of Diabetes & Digest & Kidney (NIDDK) | HHSN267200800440P | 19,226 |
| 93.000 Centers for Disease Control | 08IPA830365 | 37,116 |
| 93.061 Nat'l Ctr for Chronic Disease Prevention & Health | R01DP000105 | 142 |
| 93.064 Centers for Disease Control | U47CI000606 | 78,563 |
| 93.064 Centers for Disease Control | U47CI000606 | 98,467 |
| 93.107 Health Resources & Svcs Admin (HRSA) | U77HP03627 | 30,895 |
| 93.107 Health Resources & Svcs Admin (HRSA) | U77HP03627 | 118,662 |
| 93.110 Health Resources & Svcs Admin (HRSA) | T02MC06325 | (5,093) |
| 93.110 Health Resources & Svcs Admin (HRSA) | H93MC00081 | (1,433) |
| 93.110 Health Resources & Svcs Admin (HRSA) | T02MC06325 | 11,877 |
| 93.110 Health Resources & Svcs Admin (HRSA) | D70MC06898 | 17,104 |
| 93.110 Health Resources & Svcs Admin (HRSA) | H98MC08578 | 101,676 |
| 93.110 Health Resources & Svcs Admin (HRSA) | D70MC06898 | 209,636 |
| 93.110 Health Resources & Svcs Admin (HRSA) | H98MC08578 | 340,094 |
| 93.127 Bureau of Maternal and Child Health | 2H33MC06727-04 | 36,331 |
| 93.127 Bureau of Maternal and Child Health | H33MC06727 | 77,995 |
| 93.153 Bureau of Maternal and Child Health | H12HA00007 | 35,209 |
| 93.153 Bureau of Maternal and Child Health | H12HA00007 | 374,761 |
| 93.173 Nat'l Inst of Mental Health (NIMH) | F32DC008773 | 1,573 |
| 93.226 Agency for Healthcare Research & Quality | R13HS017378 | 865 |
| 93.226 Agency for Healthcare Research & Quality | R13HS017378 | 11,902 |
| 93.226 Agency for Healthcare Research & Quality | R13HS017378 | 20,974 |
| 93.242 Nat'l Inst of Mental Health (NIMH) | F31MH075634 | (1,009) |
| 93.242 Nat'l Inst of Mental Health (NIMH) | R01MH078052 | 483,342 |
| 93.243 Substance Abuse & Mental Health Services Admin | U79SM57261 | 93,801 |
| 93.243 Substance Abuse & Mental Health Services Admin | U79SM57261 | 243,276 |
| 93.265 Health Resources & Svcs Admin (HRSA) | D62HP06808 | 3,205 |
| 93.265 Health Resources & Svcs Admin (HRSA) | D62HP06808 | 111,013 |
| 93.272 Nat'l Inst on Alcohol Abuse & Alcoholism (NIAAA) | F31AA016718 | 10,606 |
| 93.279 Nat'l Inst on Drug Abuse (NIDA) | F30DA024933 | 45,972 |
| 93.283 Centers for Disease Control | U50/CCU121143 | 40,582 |
| 93.283 Centers for Disease Control | R01DD000140 | 103,013 |
| 93.283 Centers for Disease Control | U50/CCU121143 | 108,729 |
| 93.283 Centers for Disease Control | R01DD000140 | 349,375 |
| 93.395 Nat'l Cancer Institute (NCI) | R13CA134194 | 11,532 |
| 93.395 Nat'l Cancer Institute (NCI) | R01CA095648 | 202,116 |
| 93.837 Nat'l Heart Lung & Blood Institute (NHLBI) | F32HL088836 | 5,234 |
| 93.846 Nat'l Inst of Arth & Musculoskeletal Skin(NIAMS) | F32AR054653 | (1,111) |
| 93.846 Nat'l Inst of Arth & Musculoskeletal Skin(NIAMS) | F32AR054653 | 13,175 |
| 93.846 Nat'l Inst of Arth & Musculoskeletal Skin(NIAMS) | F32AR054653 | 44,026 |
| 93.848 Nat'l Inst of Diabetes & Digest & Kidney (NIDDK) | K23DK078678 | 289,065 |
| 93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS) | F31NS056720 | 6,667 |
| 93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS) | F30NS064637 | 13,081 |
| 93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS) | F30NS064624 | 15,049 |
| 93.853 Nat'l Inst of Neurological Disord & Stroke (NINDS) | F32NS059126 | 29,332 |
| 93.865 Nat'l Inst of Child Health & Human Devel (NICHD) | R01HD057614 | 115,323 |
| 93.884 Bureau of Health Professions | D54HP00006 | 34,259 |
| 93.884 Health Resources & Svcs Admin (HRSA) | D54HP00006 | 50,565 |
| 93.884 Health Resources & Svcs Admin (HRSA) | D54HP00006 | 138,749 |
| 93.884 Health Resources & Svcs Admin (HRSA) | 1D56HP10311-01-00 | 150,396 |
| 93.912 Health Resources & Svcs Admin (HRSA) | 1 D04RH12689-01-00 | 3,543 |
| 93.912 Health Resources & Svcs Admin (HRSA) | P10RH09042 | 70,994 |
| 93.918 Health Resources & Svcs Admin (HRSA) | H76HA00812 | — |
| 93.918 Health Resources & Svcs Admin (HRSA) | H76HA00812 | 1,636 |
| 93.918 Health Resources & Svcs Admin (HRSA) | H76HA00812 | 78,214 |
| 93.918 Health Resources & Svcs Admin (HRSA) | H76HA00812 | 286,127 |
| 93.969 Health Resources & Svcs Admin (HRSA) | D31HP08813 | 104,394 |
| 93.969 Health Resources & Svcs Admin (HRSA) | D31HP08813 | 361,499 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|--|-----------------------|-------------------------------|
| 93.989 John E. Fogarty International Center (FIC) | D43TW006807 | \$ 21,269 |
| 93.989 John E. Fogarty International Center (FIC) | D43TW006807 | 30,601 |
| 93.989 John E. Fogarty International Center (FIC) | D43TW006807 | 506,442 |
| | | <hr/> 5,803,944 <hr/> |
| Subagreements: | | |
| 93.000 Ambulatory Pediatric Association | R40MC05267 | 50,007 |
| 93.395 American College of Radiology | RTOG | 70,668 |
| 93.000 American College of Radiology | RTOG | 68,829 |
| 93.000 Brain Injury Association of New Hampshire | BIANH | 27,823 |
| 93.000 Center for Social Innovation | 280-06-0150 | 6,937 |
| 93.063 Childrens Hospital Boston | 76844 | 2,399 |
| 93.000 Dana Farber Cancer Institute | UNIV OF CHICAGO | 60,437 |
| 93.000 Duke University | Z10/Z11 | 773 |
| 93.000 Dynamic Clinical Systems, Inc. | N/A | 35,635 |
| 93.000 Fast-Track Drugs and Biologics, Inc. | CSP-1027 | 7,305 |
| 93.000 George Washington University | U01-DK061055 | 1,177 |
| 93.110 Harvard University | n/a | 11,630 |
| 93.958 Minnesota Department of Human Services | A85653 | 7,066 |
| 93.853 Mount Sinai School of Medicine | COMBIRX | 19,871 |
| 93.000 Mount Sinai School of Medicine | MSSM CT | 546 |
| 93.000 National Rural Health Association | n/a | 25,205 |
| 93.399 National Surgical Adjuvant Breast & Bowel Project | PIND DAR-01 | 290 |
| 93.000 New England Institute of Addiction Studies | ATEDARTMOUTH01 | 717 |
| 93.913 NH Dept of Health & Human Services | 150685 | (12,366) |
| 93.283 NH Dept of Health & Human Services | 711472-05 | (32,831) |
| 93.283 NH Dept of Health & Human Services | 151155 | (560) |
| 93.283 NH Dept of Health & Human Services | 711472-05 | 13,312 |
| 93.283 NH Dept of Health & Human Services | 711472-05 | 20,874 |
| 93.283 NH Dept of Health & Human Services | 711472-09 | 79,065 |
| 93.003 NH Dept of Safety | 150926 | 63,971 |
| 93.667 NH Div of Developmental Services | Bridge Funding | (43,160) |
| 93.667 NH Div of Developmental Services | SFY2009 | 2,000 |
| 93.667 NH Div of Developmental Services | 150675 | 126,261 |
| 93.667 NH Div of Developmental Services | SFY2009 | 234,276 |
| 93.667 NH Div of Developmental Services | SFY2009 | 366,348 |
| 93.991 NH Div of Public Health Services | 850169 | 279 |
| 93.991 NH Div of Public Health Services | 850169 | 564 |
| 93.991 NH Div of Public Health Services | 850169 | 99,030 |
| 93.283 NH Div of Public Health Services | STNH | 34,903 |
| 93.283 NH Div of Public Health Services | STNH | 275,638 |
| 93.069 NH Div of Public Health Services | n/a | 180,140 |
| 93.000 North American Contact Dermatitis Group (NACDG) | 211-2005-14339 | (166) |
| 93.399 Southwest Oncology Group | PCPT | 5,850 |
| 93.000 University of Alabama | CASG | 2,399 |
| 93.866 University of California, Davis | ADNI-024 | 62,897 |
| 93.145 University of Massachusetts Memorial Medical Ctr | UMMC | (810) |
| 93.145 University of Massachusetts Memorial Medical Ctr | 6081552/ETC-16 | (717) |
| 93.145 University of Massachusetts Memorial Medical Ctr | 6100056/ETC-16 & NA-3 | 3,348 |
| 93.145 University of Massachusetts Memorial Medical Ctr | 6081552/ETC-16 | 8,868 |
| 93.145 University of Massachusetts Memorial Medical Ctr | 6100056/ETC-16 & NA-3 | 64,542 |
| 93.283 University of Massachusetts, Worcester | 6068695RFS700067 | 13,302 |
| 93.283 University of Massachusetts, Worcester | 6103091/RFS900063 | 19,207 |
| 93.110 University of Massachusetts, Worcester | 6087828/RFS800094 | 196 |
| 93.110 University of Massachusetts, Worcester | 6097391/RFS900018 | 23,514 |
| 93.110 University of Massachusetts, Worcester | 6102843/RFS900055 | 24,036 |
| 93.853 University of Medicine & Dentistry of NJ | 99-705 | 27,213 |
| 93.632 University of New Hampshire | PZ09051 | 994 |
| 93.000 University of New Hampshire | 08-036 | (1,577) |
| 93.000 University of South Florida | U01-DK061055 | 11,941 |
| 93.853 University of Vermont | 15171 | 7,640 |
| 93.853 University of Vermont | 21808 | 11,126 |
| 93.846 University of Washington | 215098 | 937 |
| 93.989 Vanderbilt University | TW007988 | 68,267 |
| 93.994 VT Department of Health | 03420-4937 | 14,000 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|--|-------------------|-------------------------------|
| 93.994 VT Department of Health | 03420-5047 | \$ 173,740 |
| 93.889 VT Department of Health | 03420-4539 | 40,174 |
| 93.889 VT Department of Health | 03420-4888 | 67,687 |
| 93.889 VT Department of Health | 03420-5118 | 239,979 |
| 93.000 Yale New Haven Health System | HHSA2902006000015 | 122,292 |
| 93.853 Yale University | A06760 | 480 |
| Subtotal | | <u>2,816,418</u> |
| U.S. Department of Health and Human Services total | | <u>8,620,362</u> |
| National Science Foundation: | | |
| Direct awards: | | |
| 47.078 National Science Foundation (NSF) | OPP-0821056 | 174,930 |
| 47.076 National Science Foundation (NSF) | DGE-0801490 | 63,997 |
| 47.076 National Science Foundation (NSF) | DGE-0802871 | 162,000 |
| 47.050 National Science Foundation (NSF) | ATM-0457561 | 162,760 |
| 47.049 National Science Foundation (NSF) | DMS-0026425 | 6,315 |
| 47.046 National Science Foundation (NSF) | DUE-0736749 | 47,012 |
| National Science Foundation total | | <u>617,014</u> |
| U.S. National Aeronautics and Space Administration: | | |
| Direct awards: | | |
| 43.001 NASA Goddard Space Flight Center | NNX06A126H | 2,184 |
| 43.001 NASA Goddard Space Flight Center | 1317177 | 17,595 |
| 43.001 NASA Goddard Space Flight Center | NNX07AP37H | 24,245 |
| | | <u>44,024</u> |
| Subagreements: | | |
| 43.001 Inst for the Application of Geospacial Technology | IAGT | 2,407 |
| 43.002 University of New Hampshire | PZ05007 | 35,067 |
| 43.002 University of New Hampshire | PZ05007 | 42,144 |
| 43.002 University of New Hampshire | PZ05007 | 44,918 |
| 43.002 University of New Hampshire | PZ05007 | 97,909 |
| Subtotal | | <u>222,445</u> |
| U.S. National Aeronautics and Space Administration total | | <u>266,469</u> |
| Veteran's Administration: | | |
| Direct awards: | | |
| 64.000 White River Junction VA Medical Center | V00241P-00440 | 2 |
| 64.000 White River Junction VA Medical Center | n/a | 1,903 |
| 64.000 White River Junction VA Medical Center | VA241P-0410 | 17,765 |
| 64.000 White River Junction VA Medical Center | V00241P-00440 | 26,359 |
| 27.011 White River Junction VA Medical Center | VA241-P-0566 | 977 |
| 27.011 White River Junction VA Medical Center | V00241P-00710 | 3,027 |
| 27.011 White River Junction VA Medical Center | n/a | 23,471 |
| 27.011 White River Junction VA Medical Center | V00241P-00100 | 25,671 |
| 27.011 White River Junction VA Medical Center | N/A | 27,034 |
| 27.011 White River Junction VA Medical Center | n/a | 60,779 |
| 27.011 White River Junction VA Medical Center | VA241-P-0566 | 329,585 |
| Veteran's Administration total | | <u>516,573</u> |
| U.S. Department of Defense: | | |
| Direct awards: | | |
| 12.910 Advanced Research Projects Agency (ARPA) | HR0011-06-1-0033 | 124,635 |
| 12.420 Army Medical Research & Development | W81XWH-07-1-0104 | 40,725 |
| 12.431 Army Research Office | W911NF-06-1-0471 | (2,474) |
| 12.431 Army Research Office | W911NF-08-1-0032 | (1) |
| 12.431 Army Research Office | W911NF-07-1-0166 | (1) |
| 12.431 Army Research Office | W911NF-08-1-0193 | 160,000 |
| 12.630 Cold Regions Research & Engineering Lab (CRREL) | W913E5-08-P-0007 | (4,412) |
| 12.630 Cold Regions Research & Engineering Lab (CRREL) | W913E5-09-P-0014 | 5,239 |
| 12.630 Cold Regions Research & Engineering Lab (CRREL) | W913E5-08-P-0007 | 5,656 |
| 12.431 US Army Medical Research and Material Command | W81XWH-08-1-0357 | 39,174 |
| 12.420 US Army Medical Research and Material Command | W81XWH-08-1-0374 | 29,326 |

DARTMOUTH COLLEGE

Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

| | <u>Award #</u> | <u>Total expenditures</u> |
|--|-----------------|-------------------------------|
| 12.000 US Army Medical Research and Material Command | Pre-Award | \$ (4,585) |
| 12.000 White River Junction VA Medical Center | VA241-P-0235 | 5,350 |
| | | <u>398,632</u> |
| Subagreements: | | |
| 12.420 Clinical Research Management, Inc. | Dartmouth-07-01 | 178,250 |
| 12.910 NH Dept of Safety | NNEMMRS | 16,872 |
| 12.910 NH Dept of Safety | NNEMMRS | 350,642 |
| 12.000 University of Mississippi | 08-10-037 | (5,954) |
| Subtotal | | <u>539,810</u> |
| U.S. Department of Defense total | | <u>938,442</u> |
| U.S. Environmental Protection Agency: | | |
| Direct awards: | | |
| 66.514 Environmental Protection Agency | FP-91651101- | 5,237 |
| 66.514 Environmental Protection Agency | FP-91668701-0 | 28,169 |
| U.S. Environmental Protection Agency total | | <u>33,406</u> |
| U.S. Department of Justice: | | |
| Direct awards: | | |
| 16.560 Office of Justice Programs | 2004-IJ-CX-K041 | (1,209) |
| 16.000 Office of Justice Programs | 2008-MU-MU-K407 | 206,099 |
| U.S. Department of Justice total | | <u>204,890</u> |
| U.S. Department of Education: | | |
| Direct awards: | | |
| 84.200 Department of Education | P200A040045-05 | (26,085) |
| 84.200 Department of Education | P200A040191-05 | (17,956) |
| 84.200 Department of Education | P200A040048-05 | 26,836 |
| 84.200 Department of Education | P200A060114 | 160,779 |
| 84.200 Department of Education | P200A060188 | 197,367 |
| 84.116 Department of Education | P116Z080112 | 155,693 |
| 84.019 Department of Education | P019A080027 | 49,551 |
| | | <u>546,185</u> |
| Subagreements: | | |
| 84.264 University of Massachusetts, Worcester | 050626-DC | 10,834 |
| 84.133 Wright State University | H133B040012 | 11,275 |
| Subtotal | | <u>22,109</u> |
| U.S. Department of Education total | | <u>568,294</u> |
| Other federal agencies: | | |
| Subagreements: | | |
| 97.005 Department of Homeland Security | 2007-GT-T7-K016 | 435,911 |
| 97.000 Federal Emergency Management Agency (FEMA) | 233-03-0106 | (30,510) |
| 45.024 National Endowment for the Arts (NEA) | 06-5400-7003 | (54) |
| 45.024 National Endowment for the Arts (NEA) | 09-5400-7003 | 26,000 |
| 45.024 National Endowment for the Arts (NEA) | 08-5400-7046 | 29,000 |
| 81.000 National Security Technologies LLC. | 105800 | 32,543 |
| 45.025 New England Foundation for the Arts | 2008-12642 | 7,000 |
| 45.025 New England Foundation for the Arts | 2008-12649 | 7,590 |
| 45.025 New England Foundation for the Arts | 2008-12647 | 8,000 |
| 45.025 New England Foundation for the Arts | 2008-12640 | 8,000 |
| 45.025 New England Foundation for the Arts | 2008-12636 | 9,000 |
| 20.600 NH Highway Safety Agency | 304-08S-005 | 5,063 |
| 20.600 NH Highway Safety Agency | 304-08S-004 | 8,951 |
| 20.600 NH Highway Safety Agency | 304-09S-005 | 16,449 |
| 20.600 NH Highway Safety Agency | 304-08S-003 | 27,973 |
| 97.000 Office of Justice Programs | 2005-GT-T5-K004 | 18,387 |
| 10.206 Rural Development | NH0703-B16 | 15,960 |
| 59.000 Small Business Administration | SBAHQ-06-I-0084 | 42,077 |

DARTMOUTH COLLEGE
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| | Award # | Total expenditures |
|--------------------------------------|-----------------|-------------------------------|
| 59.000 Small Business Administration | SBAHQ-05-I-0074 | \$ 48,891 |
| 98.853 Yale University | A07223 | 75,497 |
| Other federal agencies total | | 791,728 |
| Total nonmajor programs | | 12,557,178 |
| Total major and nonmajor programs | | 144,159,494 |
| Total all federal programs | | \$ 144,159,494 |

See accompanying notes to schedule of expenditures of federal awards.

DARTMOUTH COLLEGE

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(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, 2009. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. The Schedule includes Catalog of Federal Domestic Assistance (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 cost proposal in early 2008 for negotiated F&A rates that became effective July 1, 2008. The College's F&A cost rate for fiscal year 2009 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, 2009 are not included in the schedule, and are summarized as follows:

| | |
|---|----------------------|
| Title IV Program: | |
| Federal Perkins Loan Program (Perkins) | \$ 2,062,294 |
| Federal Family Education Loan Programs (FFELP): | |
| Stafford | 16,436,518 |
| Parent Loans for Undergraduate Students (PLUS) | 7,835,916 |
| | <u>26,334,728</u> |
| | <u>\$ 26,334,728</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, 2009

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, 2009 are as follows:

| | |
|---------|----------------------|
| Perkins | \$ 21,836,099 |
| HPSL | 18,762 |
| HEAL | <u>1,024,827</u> |
| | <u>\$ 22,879,688</u> |

For the year ended June 30, 2009, the College claimed \$153,663 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, 2009, the College received awards directly from federal agencies which were passed through to subrecipients. The amounts passed through are as follows:

| | |
|--------------------------|----------------------|
| Research and development | \$ 17,946,344 |
| Other | <u>472,596</u> |
| | <u>\$ 18,418,940</u> |

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



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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, 2009, and have issued our qualified report thereon dated October 23, 2009. 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 deficiency in internal control over financial reporting 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 23, 2009.

This report is intended solely for the information and use of the Board of Trustees and management of Dartmouth College, others within the entity, 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 23, 2009



KPMG LLP

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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:

Compliance

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 each of its major federal programs for the year ended June 30, 2009. The College's major federal programs are 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 each of its major federal programs 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, 2009. 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 2009-1 and 2009-2.

Internal Control over Compliance

The 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 26, 2010

DARTMOUTH COLLEGE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

(1) Summary of Auditors' Results

Financial Statements

| | | | |
|---|-----------|-----|----------------------------|
| Type of auditors' report issued: | Qualified | | |
| Internal control over financial reporting: | | | |
| • Material weakness (es) identified? | _____ | yes | <u> x </u> no |
| • Significant deficiency(s) identified that are not considered to be material weaknesses? | _____ | yes | <u> x </u> none reported |
| Noncompliance material to financial statements noted? | _____ | yes | <u> x </u> no |

Federal Awards

| | | | |
|---|-------|-----|----------------------------|
| • Material weakness(es) identified? | _____ | yes | <u> x </u> no |
| • Significant deficiency(s) identified that are not considered to be material weaknesses? | _____ | yes | <u> x </u> 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? | <u> x </u> | yes | _____ | no |
|--|--------------|-----|-------|----|

Internal control over major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Programs or Clusters</u> |
|-----------------------|---|
| Various | Research and Development Cluster |
| Various | Student Financial Assistance Cluster |

| | |
|--|-------------|
| Dollar threshold used to distinguish between type A and type B programs: | \$3,000,000 |
|--|-------------|

| | | | | |
|--|-------|-----|--------------|----|
| Auditee qualified as low risk auditee? | _____ | yes | <u> x </u> | no |
|--|-------|-----|--------------|----|

(2) 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, 2009

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2009-1

Program: Research and Development Cluster

Award Numbers: L00491

CFDA Numbers: 97.001

Federal Agencies: Department of Homeland Security

Program Year: July 1, 2008 to June 30, 2009

Criteria upon which the Audit Finding is based

Sub-Recipient Monitoring

A pass-through entity is responsible for:

- Award Identification – At the time of the award, identifying to the subrecipient the federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of federal awarding agency) and applicable compliance requirements.
- During-the-Award Monitoring – Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- Subrecipient Audits – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- Pass-Through Entity Impact – Evaluating the impact of subrecipient activities on the pass-through entity’s ability to comply with applicable federal regulations.

Condition Found and Perspective

For one of the thirty subrecipients selected for testwork, KPMG noted that the award agreement between Dartmouth College and the subrecipient did not identify the CFDA number or title. KPMG further noted that the award agreement did not include a suspension and debarment clause to certify that the subrecipient was in compliance. KPMG confirmed that the subrecipient was not suspended and debarred however, it is the responsibility of the College to confirm that the subrecipient is not suspended or debarred.

Questioned Costs

None.

DARTMOUTH COLLEGE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Possible Asserted Cause and Effect

The CFDA number and title as well as the suspension and debarment clause were overlooked as an agreement supplied by the subrecipient was utilized rather than the College's standard subrecipient award agreement. The lack of a CFDA number, title, and suspension and debarment clause fails to provide the subrecipient with information that will be necessary for compliance.

Recommendation

We recommend that the College reconsider utilizing nonstandard 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 in the agreement.

Views of Responsible Officials

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

Contact Person

Kathy Page, Associate Director, Office of Sponsored Projects

DARTMOUTH COLLEGE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Finding 2009-2

| | |
|--------------------------|----------------------------------|
| Program: | Research and Development Cluster |
| Award Numbers: | Various |
| CFDA Numbers: | Various |
| Federal Agencies: | Various |
| Program Year: | July 1, 2008 to June 30, 2009 |

Criteria upon which the Audit Finding is based

Equipment

Institutions of higher education, hospitals, and other non-profit organizations are required to follow the standards set forth in OMB Circular A-110 in the administration of grants and agreements.

OMB Circular A-110 Section 0.34 Equipment, states the following:

- A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.

Condition Found and Perspective

There are 56 departments with equipment purchased through federal grants. KPMG selected a sample of ten for testwork and noted that two of the ten departments had not had a complete physical inventory performed in the last two years.

Questioned Costs

Not determinable.

Possible Asserted Cause and Effect

The possible cause of this noncompliance appears to be not maintaining equipment records, performing a physical inventory, and a lack of reconciling the equipment to equipment records. This 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. We also recommend that the follow up for any discrepancies found during the physical inventory be fully documented to support the reconciliation of the records.

DARTMOUTH COLLEGE

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Views of Responsible Official

Dartmouth does have the appropriate policies in place to track all equipment and perform departmental inventories on a bi-annual basis. The College will review its processes and procedures in this area to identify opportunities for improvement.

Contact Person

Kathy Page, Associate Director, Office of Sponsored Projects

Dartmouth College

Summary Schedule of Prior Audit Findings

June 30, 2009

Finding Number 2008-1

Steps to Correct:

This finding was identified during the current year audit, see finding 2009-2. Dartmouth does have the appropriate policies in place to track all equipment and perform departmental inventories on a bi-annual basis. The College will review its processes and procedures in this area to identify opportunities for improvement.

Scheduled Completion Date:

June 30, 2010

Contact Person:

Kathy Page, Associate Director, Office of Sponsored Projects

Finding Number 2008-2

Steps to Correct:

This finding was identified during the current year audit, see finding 2009-1. Dartmouth will use a standard boilerplate for all federal subrecipients and will include a standard cover page that contains the CFDA number.

Scheduled Completion Date:

April 2010.

Contact Person:

Kathy Page, Associate Director, Office of Sponsored Projects