DARTMOUTH COLLEGE

Financial Statements

2005 – 2006

KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Dartmouth College:

We have audited the accompanying statement of financial position of Dartmouth College (the College) as of June 30, 2006, 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 2005 financial statements and, in our report dated September 16, 2005, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, except for the effects of such adjustments deemed necessary had we examined evidence regarding the fair value of the unrecognized trust interests discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Dartmouth College as of June 30, 2006, 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.

KPMG LLP

October 11, 2006

Vt. Reg. No. 92-0000241

Statement of Financial Position

As of June 30, 2006, with comparative information as of June 30, 2005
(in thousands)

	2006	2005
Assets		
Cash and cash equivalents	$ 114,925	$ 186,088
Receivables and other assets, net	156,927	134,241
Pledges receivable, net	160,270	144,396
Investments held by bond trustee	7,477	59,279
Investments, at estimated fair value	3,580,962	3,101,814
Collateral on securities loaned	40,947	184,206
Land, buildings, equipment, and construction in progress, net	622,396	523,805
Total assets	4,683,904	4,333,829
Liabilities		
Accounts payable and other liabilities	128,977	105,063
Deferred revenues and deposits	32,925	36,272
Liability for split-interest agreements	67,765	67,643
Pension and other employment related obligations	146,604	131,713
Bonds, mortgages, and note payable, net	405,700	408,798
Liabilities for collateral on securities loaned	40,947	184,206
Conditional asset retirement obligations	21,448	-
Government advances for student loans	19,337	19,310
Total liabilities	863,703	953,005
Total Net Assets	$ 3,820,201	$ 3,380,824

Net Assets		
Unrestricted	$ 1,213,904	$ 1,084,220
Temporarily restricted	1,903,926	1,658,638
Permanently restricted	702,371	637,966
Total Net Assets	$ 3,820,201	$ 3,380,824

See accompanying notes to the financial statements.

Statement of Activities

For the year ended June 30, 2006, with summarized financial information for the year ended June 30, 2005
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2006	Total 2005
Endowment Activities					
Gifts	$ 3,029	$ 32,059	$ 32,283	$ 67,371	$ 32,978
Net investment return	112,675	289,674	1,051	403,400	345,869
Distributed for spending	(34,404)	(94,432)	-	(128,836)	(121,542)
Other changes	5,267	(7,132)	16,519	14,654	3,550
Amounts transferred from (to) other funds, net	7,390	4,994	8,869	21,253	(896)
Increase in net assets from endowment activities	93,957	225,163	58,722	377,842	259,959
Operating Activities					
Revenues					
Tuition and fees	197,380	-	-	197,380	188,293
Student scholarships	(74,080)	-	-	(74,080)	(67,427)
Net tuition and fees	123,300	-	-	123,300	120,866
Sponsored research grants and contracts	185,531	-	-	185,531	168,751
Dartmouth College Fund and other gifts	51,652	2,733	-	54,385	45,667
Distributed endowment investment return	123,725	3,724	-	127,449	120,240
Other operating income	79,382	3,155	-	82,537	71,149
Auxiliaries	55,104	-	-	55,104	54,296
Net assets released from donor restrictions	6,749	(6,749)	-	-	-
Total revenues	625,443	2,863	-	628,306	580,969
Expenses					
Academic and student programs	377,961	-	-	377,961	349,589
Sponsored programs	139,881	-	-	139,881	125,876
General institutional services	67,560	-	-	67,560	64,224
Auxiliaries	56,432	-	-	56,432	55,688
Total expenses	641,834	-	-	641,834	595,377
Increase (decrease) in net assets from operating activities	(16,391)	2,863	-	(13,528)	(14,408)
Non-operating Activities					
Gifts	(36)	25,737	3,382	29,083	18,007
Grants and other earnings	17,249	6,689	-	23,938	12,875
Distributed endowment investment return	316	1,071	-	1,387	1,302
Increase in outstanding pledges	-	5,308	10,566	15,874	47,688
Decrease (increase) in minimum pension liability	14,508	-	-	14,508	(8,761)
Disposals and non-capitalized expenditures	(7,578)	-	-	(7,578)	(8,923)
Change in estimated value of interest rate swap agreements	34,406	-	-	34,406	(14,755)
Amounts released from plant gifts and income restrictions	22,824	(15,171)	(7,653)	-	-
Amounts transferred from (to) endowment, net	(9,814)	(11,439)	-	(21,253)	896
Net change in split-interest agreement	-	5,067	(612)	4,455	10,649
Increase in net assets from non-operating activities	71,875	17,262	5,683	94,820	58,978
Increase in net assets before cumulative effect of change in accounting for conditional asset retirement obligations	149,441	245,288	64,405	459,134	304,529
Cumulative effect of change in accounting for conditional asset retirement obligations	(19,757)	-	-	(19,757)	-
Increase in net assets	129,684	245,288	64,405	439,377	304,529
Net Assets, beginning of year	1,084,220	1,658,638	637,966	3,380,824	3,076,295
Net Assets, end of year	$ 1,213,904	$ 1,903,926	$ 702,371	$ 3,820,201	$ 3,380,824

See accompanying notes to the financial statements.

Statement of Operating Expenses

For the year ended June 30, 2006 with summarized financial information for the year ended June 30, 2005
(in thousands)

	Academic and Student Programs	Sponsored Programs	General Institutional Services: Administrative Support	General Institutional Services: Plant Operation & Maintenance	General Institutional Services: Development	General Institutional Services: Total	Auxiliaries	Total Expenses: 2006	Total Expenses: 2005
Salaries and wages	$ 150,857	$ 56,540	$ 17,167	$ 16,315	$ 14,475	$ 47,957	$ 12,851	$ 268,205	$ 256,390
Employee benefits	71,220	15,535	6,670	7,364	6,500	20,534	5,830	113,119	100,387
Fellowships and student support	6,033	4,313	-	-	-	-	-	10,346	9,101
Materials, equipment, and supplies	28,841	18,671	938	2,117	2,209	5,264	14,615	67,391	63,604
Purchased services	22,251	37,584	1,194	1,662	3,160	6,016	3,142	68,993	62,246
Utilities, taxes, and occupancy	-	-	-	28,897	-	28,897	2,595	31,492	26,171
Depreciation	23,813	-	2,056	4,846	252	7,154	3,683	34,650	33,089
Lodging, travel, and similar costs	20,536	3,877	1,362	112	2,735	4,209	403	29,025	26,034
Interest and amortization	-	-	-	13,102	-	13,102	99	13,201	13,071
Other expenses	4,182	69	1,149	-	5	1,154	7	5,412	5,284
	327,733	136,589	30,536	74,415	29,336	134,287	43,225	641,834	$ 595,377
Plant Operation & Maintenance	50,228	3,292	5,519	(74,415)	2,169	(66,727)	13,207	-	
Total Expenses for FY06	$ 377,961	$ 139,881	$ 36,055	$ -	$ 31,505	$ 67,560	$ 56,432	$ 641,834	
Total Expenses for FY05	$ 349,589	$ 125,876	$ 34,034	$ -	$ 30,190	$ 64,224	$ 55,688		$ 595,377

See accompanying notes to financial statements.

Statement of Cash Flows

For the year ended June 30, 2006, with comparative information for the year ended June 30, 2005
(in thousands)

	2006	2005
Cash flows from operating activities		
Total increase in net assets	$ 439,377	$ 304,529
Adjustments to reconcile total increase in net assets to net cash used by operating activities		
Depreciation	34,650	33,089
Cumulative effect of change in accounting for conditional asset retirement obligations	19,757	-
Change in estimated value of interest rate swap agreements	(34,406)	14,755
Other non-cash transactions	1,729	(703)
Contributions, investment income, and other changes restricted for long-term investment	(113,080)	(55,388)
Net realized and unrealized investment gains	(378,717)	(309,815)
Changes in operating assets and liabilities		
Receivables and other assets, net	(1,301)	(16,398)
Pledges receivable, net	(15,874)	(47,688)
Accounts payable and other liabilities	3,871	9,814
Deferred revenues and deposits	(3,347)	932
Pension and other employment related obligations	14,891	31,055
Net cash used by operating activities	(32,450)	(35,818)
Cash flows from investing activities		
Student loans granted	(12,196)	(8,674)
Student loans repaid	10,350	10,653
Purchases of land, buildings, and equipment	(134,786)	(50,078)
Proceeds from the sale of land, buildings, and equipment	-	451
Net change in liability for split-interest agreements	122	1,873
Net change in liability for unsettled trades	36,489	(14,160)
Purchases of investments	(2,100,079)	(2,593,959)
Sales of investments	1,999,648	2,582,429
Net cash used by investing activities	(200,452)	(71,465)
Cash flows from financing activities		
Government advances for student loans	27	(332)
Repayment of bonds, mortgages, and note payable	(3,170)	(2,507)
Decrease in investments held by bond trustee	51,802	830
Contributions, investment income, and other changes restricted for long-term investment		
Investment in facilities	23,600	13,615
Investment in endowment, life income, and similar funds	89,480	41,773
Net cash provided by financing activities	161,739	53,379
Net decrease in cash and cash equivalents	(71,163)	(53,904)
Cash and cash equivalents, beginning of year	186,088	239,992
Cash and cash equivalents, end of year	$ 114,925	$ 186,088

See accompanying notes to the 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 (DELC), which provides low-cost loans to Dartmouth students who are unable to finance their education through other sources; and various separately incorporated foundations, which support activities that enrich the experience of students and the community.

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

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

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

Comparative Financial Information

The 2006 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, 2005, from which the summarized information was derived. Certain reclassifications have been made to the financial statements for the year ended June 30, 2005, to conform to the financial statement presentation for the year ended June 30, 2006.

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 estimated fair value of investments, interest rate swap agreements and bonds payable (for disclosure only), pension and postretirement benefit obligations, conditional asset retirement obligations, liabilities for self-insured programs and split-interest agreements, and allowances for uncollectible accounts and pledges receivable. Actual results could differ from these estimates.

Statement of Activities

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

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

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.

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 the recipient of scholarships from other sponsors in the amounts of $3,793,000 and $3,719,000 for the years ended June 30, 2006 and 2005, respectively, which are not presented in the Statement of Activities. With the exception of international applicants, the College admits students to its undergraduate program without regard to financial need. The financial aid program assists all students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of scholarship grants and loans designed to cover costs of attendance when combined with student and family contributions, based on ability to pay.

Sponsored Research Grants and Contracts

Revenues from government and private sponsored research grants and contracts are recognized when the direct costs associated with the sponsored program are incurred. Revenue from the reimbursement of facilities and administrative costs related to sponsored research is recognized according to predetermined fixed billing rates. Facilities and administrative costs incurred by the College on U.S. government grants and contracts are reimbursed based upon negotiated predetermined cost rates through June 30, 2008. The College recovered facilities and administrative costs of approximately $45,651,000 and $42,874,000 in the years ended June 30, 2006 and 2005, 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 Section 501(c)(2) and 501(c)(25) of the Code.

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) Veteran's Administration of White River Junction, Vermont (VA). The staff of the Clinic serves as the primary resource for clinical faculty at DMS, with the Hitchcock Hospital and the VA acting as principal sites of clinical instruction for the students of DMS. Each member is a separately organized, governed, and operated institution, with the College having no ownership interest in any other member. Certain costs, including salaries, facilities use (including construction planning and management, and facilities operation and maintenance), and direct and indirect research, incurred by DMS and the other members of DHMC are shared among the members based on negotiated allocations of the costs on an annual or project specific basis. The members of DHMC, excluding the

VA, are also parties to a Condominium Ownership Agreement that governs the ownership and operation of the DHMC facilities. During the years ended June 30, 2006 and 2005, the College paid approximately $17.8 million and $15.5 million, respectively, and received approximately $17.0 million and $17.4 million, respectively, in connection with these arrangements.

Insurance

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

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 and the Statement of Activities, which include estimates for known losses and for losses incurred but not yet reported. Self-insurance reserves are necessarily based on estimates of historical loss experience, and while management believes that the reserves are adequate, the ultimate liabilities may be different than the amounts provided.

Gifts and Pledges Receivable

Total contributions to the College include gifts that are received and the net change in pledges receivable during a period. Gifts and pledges are recognized as increases in the appropriate category of net assets in the period the gift or pledge is received. The net change in total pledges is recorded as a net increase (decrease) in non-operating activities in the Statement of Activities. Contributions of capitalizable assets other than cash are recorded at their estimated fair value at the date of gift. Pledges are stated at the estimated present value (discounted at rates ranging from 1.7% to 6.2%) of future cash flows, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Investments

Investments in marketable securities are carried at estimated fair values as established by the major securities markets. Investments in diversified venture capital holdings and certain other limited partnership interests are carried at estimated fair values, based upon financial information provided by the general partners which is reviewed and evaluated by the College's Investment Office. Because many of these investments are not readily marketable, the estimates of fair value necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results. Certain local area real estate holdings are carried at estimated market value. Purchases and sales of securities are recorded on the trade date, and realized gains and losses are determined on the basis of the average cost of securities sold. Derivative financial 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 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 $12,707,000 and $11,000,000 for the years ended June 30, 2006 and 2005, 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 the Board of Trustees for long-term support of the College's activities, and the accumulated investment return on these gifts and designated net assets. Accumulated investment return consists of total endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support the operating and non-operating activities of the College. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with a Board of Trustees-approved endowment utilization policy and New Hampshire State Law. However, certain donor restricted endowment funds do allow for the expenditure of principal, and College designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures.

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

The College employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each fiscal year. The amount appropriated for expenditure each year is independent of the actual return for the year, but the appropriated amount cannot exceed the total accumulated return in a 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 by the Consumer Price Index for the prior calendar year plus 30% of the average market value of the pooled funds for the four quarters of the prior calendar year multiplied by a percentage established by the Board (5.5% for fiscal 2006 and 2005). The Board also approved that an additional $1 million be added to the amount calculated by the formula above and included in the distribution for fiscal 2005. The College expects that the annual distribution of endowment resulting from this formula will continue to fall within the range of 4.25% to 6.5% of the average market value of the endowment for the twelve quarters ended as of the previous June 30. 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.

Split-Interest Agreements

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

The College has recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using a discount rate of 6%, for the net present value of the future cash outflows to beneficiaries of the agreements for which the College serves as trustee. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by the College (third-party charitable trusts), a receivable for the College's beneficial interest is established when the College is notified of the trust's existence and when the third-party trustee has provided the College with sufficient reliable information to estimate the value of the receivable. The College reports the net change in split-interest agreements as a non-operating change in net assets in the Statement of Activities. See note K for additional discussion of third-party charitable trusts.

Investments Held by Bond Trustee

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

Land, Buildings, Equipment, and Construction in Progress

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

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

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

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

Collections

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

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

B. Receivables and Other Assets

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

	2006	2005
Student accounts	$ 1,558	$ 779
Sponsored research grants and contracts	22,910	18,764
Other accounts	20,307	25,645
Notes and student loans	59,130	57,362
Less : allowance for uncollectible accounts	(1,942)	(2,470)
Receivables, net	$ 101,963	$ 100,080
Prepaid costs, inventories, and other assets	54,964	34,161
Total receivables and other assets, net	$ 156,927	$ 134,241

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.

C. Gifts and Pledges Receivable

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

	2006	2005
Gifts to support operations	$ 54,385	$ 45,667
Gifts for		
Facilities and student loans	18,172	10,485
Other restricted uses	10,911	7,522
Endowment	67,371	32,978
Split-interest agreements	4,358	2,728
Total gifts and pledge payments	$ 155,197	$ 99,380

Unconditional pledges as of June 30 are expected to be realized in the following periods discounted at rates ranging from 1.7% to 6.2% (in thousands):

	2006	2005
In one year or less	$ 56,538	$ 51,598
Between one year and five years	118,948	95,461
Six years and after	1,528	17,250
Gross pledges receivable	$ 177,014	$ 164,309
Less : present value discount	(7,459)	(10,764)
Less : allowance for uncollectible pledges	(9,285)	(9,149)
Pledges receivable, net	$ 160,270	$ 144,396

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):

	2006	2005
Land	$ 14,817	$ 15,517
Buildings	599,886	580,928
Land improvements	65,533	64,285
Equipment	156,152	144,000
Land, buildings, and equipment	$ 836,388	$ 804,730
Less : accumulated depreciation	(367,225)	(331,217)
Construction in progress	153,233	50,292
Total net book value	$ 622,396	$ 523,805

E. Investments

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

	2006	2005
Endowment investments		
Cash equivalents and temporary investments	$ 127,319	$ 176,460
Fixed income securities	275,697	337,003
Equity securities (includes hedge funds)	1,744,590	1,457,856
Limited partnerships and similar investments	694,692	539,377
Other investments	353,004	265,634
Endowment investments	$ 3,195,302	$ 2,776,330
Split-interest agreement investments		
Cash equivalents and temporary investments	$ 3,187	$ 2,956
Fixed income securities	44,253	44,895
Equity securities (includes hedge funds)	85,744	83,729
Limited partnerships and similar investments	2,122	1,633
Other investments	237	126
Split-interest agreement investments	$ 135,543	$ 133,339
Other investments		
Fixed income securities	$ 67,975	$ 87,494
Equity securities and other investments	182,142	104,651
Other investments	$ 250,117	$ 192,145
Total investments	$ 3,580,962	$ 3,101,814

A net payable for unsettled trades of $59,449,000 and $22,960,000 at June 30, 2006 and 2005, respectively, is included in accounts payable and other liabilities in the accompanying Statement of Financial Position. Limited partnerships and similar investments consist of limited partnership interests in venture capital, oil and gas, and other private debt and equity funds. Other endowment investments include real estate limited partnerships, real estate holdings, and other non-marketable assets.

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

The College from time to time enters into foreign currency forward contracts to protect long-term investments denominated in foreign currency from currency risk. At June 30, 2006 and 2005, respectively, the College held forward contracts to buy foreign currencies in the amount of $4,391,000 and $53,450,000 and to sell foreign currencies in the amount of $15,064,000 and $12,952,000. The College has also recorded an associated net unrealized gain of $67,000 and $1,080,000 on forward contracts held as of June 30, 2006 and 2005, respectively.

At June 30, 2006 and 2005, the College also held options and futures contracts principally as hedges against market concentration risks in certain segments of its investment portfolio. The College has recorded a net unrealized gain of $9,000 and a net unrealized loss of $350,000 as of June 30, 2006 and 2005, 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 long position of $115,000 and a net short position of $151,000 at June 30, 2006 and 2005, 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, 2006 and 2005, the market value of the College's pledged collateral on futures contracts was $175,000 and $724,000, respectively. The difference between the estimated value of open futures contracts to sell and purchase securities was a net long position of $21,596,000 and $69,486,000 as of June 30, 2006 and 2005, respectively.

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. At June 30, 2006 and 2005, the College had the rights to $45,056,000 and $200,646,000, 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, 2006 and 2005, of $43,349,000 and $195,688,000, respectively. As of June 30, 2006 and 2005, respectively, the College had the rights to cash collateral of $40,947,000 and $184,206,000, which are reflected as an asset and related liability.

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):

	2006	2005
Net assets, beginning of year	$ 2,714,252	$ 2,454,293
Gifts	67,371	32,978
Investment return		
Investment income, net	53,396	51,371
Net gain (loss) in fair value		
Realized	200,444	181,763
Unrealized	149,560	112,735
Total investment return	$ 403,400	$ 345,869
Distribution of endowment return to all funds	(128,836)	(121,542)
Other changes, net	35,907	2,654
Net assets, end of year	$ 3,092,094	$ 2,714,252

Temporarily restricted endowment net assets also include the remaining amount of expendable accumulated appreciation on permanent endowment funds of $1,389,590,000 and $1,194,487,000 at June 30, 2006 and 2005, respectively.

The College modified some of the methods used to estimate the fair value of certain real estate holdings. As a result, an adjustment of $10,545,000 has been reflected in other changes in endowment fair value for the year ended June 30, 2006. Other changes also include additions to the endowment from the maturity of split-interest agreements and net transfers resulting from changes in donor restrictions or College designations.

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

	2006	2005
Net assets, beginning of year	$ 79,379	$ 68,730
Gifts	4,358	2,728
Net investment return after payments to beneficiaries	14,536	17,322
Other changes	(14,439)	(9,401)
Net assets, end of year	$ 83,834	$ 79,379

Other changes in net assets attributable to split-interest agreements principally consist of changes in the estimated liability for split-interest agreements and changes in the estimated value of third-party charitable trusts. Other assets include these third-party charitable trusts in the amount of $16,056,000 and $13,681,000 at June 30, 2006 and 2005, respectively.

F. Bonds, Mortgages, and Note Payable

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

	2006	2005
Revenue bonds issued through NHHEFA for the acquisition, installation, construction, renovation, and equipping of various academic, research, and administrative facilities:		
Series '03, serial bonds maturing through the year 2023 at variable rates (ranging from 1.98% to 3.95% from July 1, 2005 – June 30, 2006)	$ 109,200	$ 111,000
Series '02, term bonds maturing in the year 2032 at variable rates (ranging from 1.98% to 3.95% from July 1, 2005 – June 30, 2006)	101,000	101,000
Series '99, term bonds maturing in the year 2019 at a rate of 5.92%	8,845	8,845
Series '98, term bonds maturing in the year 2028 at a rate of 5.12%	33,000	33,000
Series '97A, term bonds maturing in the year 2028 at a rate of 5.37%	52,000	52,000
Series '97, term bonds maturing in the years 2007 and 2027 at rates of 5.05% and 5.85%, respectively	36,740	36,740
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 coupon and term bonds maturing through 2025 at rates ranging from 4.55% to 5.55%	26,490	26,700
Subtotal NHHEFA bonds	377,215	379,225
Mortgages on real estate investments, various maturities through 2024 at fixed and variable rates, ranging during the year ended June 30, 2006 from 4.35% to 7.10%	29,553	30,488
Other note payable, maturing in 2012 at a rate of 5.50%	1,672	1,897
Subtotal bonds, mortgages, and note payable	408,440	411,610
Less : original issue discount and premium, net	(2,740)	(2,812)
Total bonds, mortgages, and note payable	$ 405,700	$ 408,798

Interest expense on debt used to finance facilities projects totaled $13,273,000 and $13,076,000 for the years ended June 30, 2006 and 2005, respectively. Interest expense on debt used to finance student loans totaled $2,058,000 and $2,067,000 for the years ended June 30, 2006 and 2005, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on mortgages and other note payable totaled $1,770,000 and $1,800,000 for the years ended June 30, 2006 and 2005, respectively. Interest expense on mortgages is presented as a deduction in endowment net investment return in the Statement of Activities.

The College maintains a revolving credit agreement totaling approximately $110,000,000 to provide alternative liquidity to support the College's variable rate Bonds. There have been no borrowings by the College under this agreement.

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

2007	$ 10,735
2008	5,105
2009	4,799
2010	5,006
2011	5,213
Thereafter	377,582
Total principal due	$ 408,440

The estimated fair value of the NHHEFA bonds is approximately $392,385,000 and $406,571,000 as of June 30, 2006 and 2005, respectively, based on the debt service cash flows of the bonds and certain interest rate assumptions for similar bonds.

Principal due in 2007 includes a $5,000,000 "balloon" payment on the NHHEFA Series 1997 Bonds which mature in June 2027 and a $1,422,000 "balloon" payment on one of the real estate investment mortgages. The real estate mortgage was refinanced in July 2006 at 6.35% and will be paid back in 120 monthly payments with a "balloon" payment of $3,233,558 due in July 2016. Principal due after the year 2011 includes a $7,583,000 "balloon" payment on one of the real estate mortgages due in June 2013, a $8,845,000 "balloon" payment on the NHHEFA Series 1999 Bonds which mature in June 2019, a $15,300,000 "balloon" payment on the DELC Series 1998A Bonds which mature in June 2023, a $31,740,000 "balloon" payment on NHHEFA Series 1997 Bonds which mature in June 2027, a $52,000,000 "balloon" payment on NHHEFA Series 1997A Bonds which mature in June 2028, a $33,000,000 "balloon" payment on NHHEFA Series 1998 Bonds which mature in June 2028, a $101,000,000 "balloon" payment on NHHEFA Series 2002 Bonds which mature in June 2032, and a $9,940,000 "balloon" payment on the DELC Series 1999 Bonds which mature in June 2039. 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.

The College is party to six interest rate swap transactions designed to manage the College's interest costs and risks associated with variable rate debt. In June of 2004, the College entered into an interest rate swap agreement, which expires in 2032, effectively to convert $100,000,000 of the variable rate exposure to a fixed rate. Under the terms of this agreement the College pays a fixed rate of 3.75% and receives 67% of LIBOR on the notional principal amount. In January of 2005, the College entered into two interest rate swap agreements which will become effective on June 1, 2007 and will convert approximately $84,880,000 of the College's fixed rate debt to a lower fixed rate. Under the terms of these agreements, the College will pay interest at a fixed rate of 3.78% on $32,000,000 (expiring in 2027) and $52,880,000 (expiring in 2028) and receive 72% of LIBOR on the notional principal amounts. In March of 2006, the College entered into three interest rate swap agreements which will become effective November 1, 2007, June 1, 2007 and June 1, 2008 and will convert approximately $365,000,000 of the College's fixed rate debt to a lower fixed rate. Under the terms of these agreements, the College will pay interest at a fixed rate of 3.73% on $100,000,000 (expiring in 2041), 3.73% on $100,000,000 (expiring in 2042) and 3.74% on $165,000,000 (expiring in 2043) and receive 70% of LIBOR on the notional principal amounts. The estimated fair value of these agreements, based on various factors related to the underlying debt facility and interest rates, represents an unrealized gain of $19,651,000 included in other assets as of June 30, 2006 and an unrealized loss of $14,755,000 included in other liabilities as of June 30, 2005. The change in the estimated value of these agreements, $34,406,000 in 2006 and ($14,755,000) in 2005, is presented in the Statement of Activities as a non-operating activity. Net payments or receipts under the swap agreement during a fiscal year are reflected as interest expense. These financial instruments involve counter-party credit exposure. The counter-party for these swap transactions is a major financial institution that meets the College's criteria for financial stability and creditworthiness.

G. Pension and Other Employment Related Obligations

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

	2006	2005
Retirement and postretirement benefits	$ 122,304	$ 109,091
Compensated absences, severance plans, and other commitments	16,927	15,370
Self-insured benefits	7,373	7,252
Total employment related obligations	$ 146,604	$ 131,713

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 benefits plan or enroll in the College's defined contribution plan effective January 1, 1998. Staff and non-union service employees hired since that date receive retirement benefits under the defined contribution plan. Effective January 1, 2006, all union employees also are 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 medical benefits at June 30 includes (in thousands):

	Pension Benefits		Postretirement Benefits	
	2006	2005	2006	2005
Change in benefit obligation				
Beginning of year	$ 105,251	$ 84,337	$ 215,388	$ 156,146
Service cost	3,883	2,966	13,623	9,336
Interest cost	5,155	5,146	10,669	9,650
Plan amendments	-	2,642	-	-
Benefits paid	(5,470)	(4,960)	(3,960)	(3,202)
Actuarial (gain)/loss	(16,508)	15,120	(37,689)	43,458
End of year	$ 92,311	$ 105,251	$ 198,031	$ 215,388
Change in estimated fair value of plan assets				
Beginning of year	$ 72,865	$ 67,382	$ -	$ -
Actual return on plan assets	7,900	5,443	-	-
Employer contributions	5,000	5,000	3,960	3,202
Benefits paid	(5,470)	(4,960)	(3,960)	(3,202)
End of year	$ 80,295	$ 72,865	$ -	$ -
Prepaid (accrued) benefit costs				
Funded status [plan assets less than benefit obligation]	$ (12,016)	$ (32,386)	$ (198,031)	$ (215,388)
Unrecognized net prior service cost	5,823	6,777	523	1,103
Unrecognized net loss	10,022	30,903	77,908	122,497
Prepaid benefit cost	$ 3,829	$ 5,294	$ (119,600)	$ (91,788)
Net periodic benefit (income)/cost included the following				
Service cost	$ 3,883	$ 2,966	$ 13,623	$ 9,336
Interest cost	5,155	5,146	10,669	9,650
Expected return on assets	(5,309)	(5,242)	-	-
Amortization of prior service cost	954	714	580	580
Recognized net actuarial loss	1,781	289	6,900	4,589
Net periodic benefit cost	$ 6,464	$ 3,873	$ 31,772	$ 24,155
Weighted-average assumptions				
Discount rate used to determine net periodic benefit cost	5.00%	6.25%	5.00%	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	6.25%	5.00%	6.25%	5.00%

As of June 30, 2006, the fair value of pension benefit assets of $80,295,000 exceeded accumulated pension benefit obligations by $281,000. As of June 30, 2005, the accumulated pension benefit obligation of $88,856,000 exceeded the fair value of pension plan assets by $15,991,000. The accompanying financial statements as of June 30, 2005, reflect an intangible asset of $6,777,000. The accompanying financial statements also reflect a non-operating increase in net assets of $14,508,000 for the year ended June 30, 2006, and a non-operating decrease in net assets of $8,761,000 for the year ended June 30, 2005. The additional minimum liability for the year ended June 30, 2006 is $0. The additional minimum liability of $14,508,000 for the year ended 2005, is included in pension and other employment related obligations in the Statement of Financial Position. The college currently expects to contribute $5,000,000 to the Plan in fiscal year 2007.

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

	2006	2005
Cash and cash equivalents	$ 441	$ 358
Fixed income securities	24,412	24,199
Equity securities	46,660	41,225
Limited partnerships and similar investments	8,782	7,083
Total investments	$ 80,295	$ 72,865

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

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

	Pension Benefits	Postretirement Benefits
2007	4,800	4,179
2008	4,500	4,730
2009	4,900	5,353
2010	5,200	6,118
2011	5,600	6,837
Years 2012-2016	35,300	53,742

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 10% and 11% in fiscal 2007, decrease gradually to 5% and 6% in fiscal 2013 and remain level thereafter. A one percentage point increase (decrease) in assumed health care cost trend rates would have the following effect:

Increase (decrease) in total of service and interest cost components	$	6,699	$	(5,251)
Increase (decrease) in postretirement benefit obligation	$	45,902	$	(37,265)

On December 8, 2003, the Medicare Prescription Drug Improvement and Modernization Act (the Act) was passed into law. The Act provides for special tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage beginning in 2006. The College's retiree medical plan currently meets Medicare's criteria for qualifying drug coverage because the College's plan provides for a higher level of reimbursement than Medicare and the College pays the entire premium for retirees. Based on guidance issued on April 7, 2005, the College determined that it will be eligible for a subsidy for retirees and spouses electing to participate in the Plan. Therefore, the College's postretirement benefit obligation as of June 30, 2005 was reduced by $19,000,000 to reflect the subsidy for retirees and spouses. The impact of the subsidy for all current and future retirees has been reflected in fiscal year 2006 and 2005 postretirement benefit cost.

The College also maintains defined contribution retirement plans for non-union employees. These benefits are individually funded and are subject to various vesting requirements. Under these arrangements, the College makes monthly contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2006 and 2005, respectively, were $30,568,000 and $28,549,000.

H. Other Operating Income

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

	2006	2005
Medical School clinical and other support	$ 37,354	$ 34,855
Foreign study and continuing education programs	12,848	12,220
Hopkins Center and Hood Museum	1,631	1,790
Athletics revenues	2,169	2,026
Investment income on working capital	20,655	10,851
Student activities and other revenues	7,880	9,407
Total other operating income	$ 82,537	$ 71,149

I. Net Assets

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

2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets				
Operating funds				
Undesignated	$ 1,524	$ -	$ -	$ 1,524
College designated	82,438	-	-	82,438
Donor restricted	-	46,036	3,382	49,418
Total operating funds	83,962	46,036	$ 3,382	133,380
Pledges	-	109,130	51,140	160,270
Available for capital projects	14,787	23,583	-	38,370
Estimated value of interest rate swap agreements	19,651	-	-	19,651
Funding for facilities	212,243	35,291	-	247,534
Funding for student loans	28,117	16,950	-	45,067
Life income, annuity, and similar funds	-	44,286	39,548	83,834
Endowment and similar funds	855,144	1,628,650	608,301	3,092,095
Total net assets	$ 1,213,904	$ 1,903,926	$ 702,371	$ 3,820,201

2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets				
Operating funds				
Undesignated	$ 1,675	$ -	$ -	$ 1,675
College designated	81,541	-	-	81,541
Donor restricted	-	45,319	-	45,319
Total operating funds	83,216	45,319	-	128,535
Pledges	-	103,822	40,574	144,396
Available for capital projects	18,215	29,904	-	48,119
Estimated value of interest rate swap agreements	(14,755)	-	-	(14,755)
Funding for facilities	227,705	11,721	-	239,426
Funding for student loans	8,652	25,167	7,653	41,472
Life income, annuity, and similar funds	-	39,218	40,161	79,379
Endowment and similar funds	761,187	1,403,487	549,578	2,714,252
Total net assets	$ 1,084,220	$ 1,658,638	$ 637,966	$ 3,380,824

J. Commitments and Contingencies

Outstanding commitments on uncompleted construction contracts total $27,718,000 and $96,094,000 at June 30, 2006 and 2005, respectively.

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, 2006, the College had an unfunded commitment of $792,332,000 payable through 2011.

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

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

K. Third Party Charitable Trusts

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

As of June 30, 2006 and 2005 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, 2006 and 2005. If the College's interest in these trusts was reflected on the Statement of Financial Position, the College's assets and net assets would be greater than the amounts reported in the accompanying financial statements.

L. Cumulative Effect of Change in Accounting for Conditional Asset Retirement Obligations

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 ("FIN 47"), *Accounting for Conditional Asset Obligations*. Under FIN 47, companies must accrue for costs related to legal obligations to perform certain activities in connection with retirement, disposal or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

Dartmouth College has identified asset retirement obligations related to asbestos abatement, leasehold improvements, hazardous materials and equipment disposal and cleanup. Asbestos abatement was estimated using historical per-square foot total-building abatement costs and site-specific proposals where available. Leasehold improvement renovation estimates were calculated using historical demolition, patch and repair and allowance for mechanical, electrical, plumbing per square footage costs. Hazardous materials and equipment disposal cost estimates were based on historical disposal costs.

As of July 1, 2005, the College estimated these obligations to be $20,330,000 comprised of a cumulative effect of change in accounting principle of $19,757,000, related accumulated depreciation of $3,572,000 and additional capital asset costs of $4,145,000. For the year ended June 30, 2006, the Statement of Activities included $1,118,000 of accretion expense to increase the obligation to $21,448,000 as presented in the Statement of Financial Position.