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Independent Auditors' Report

The Board of Trustees
Dartmouth College:

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

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

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

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

KPMG LLP

October 27, 2008

Dartmouth College

Statement of Financial Position

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

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

Net Assets		
Unrestricted	$ 1,248,279	$ 1,333,942
Temporarily restricted	2,267,944	2,304,953
Permanently restricted	795,757	748,376
Total Net Assets	$ 4,311,980	$ 4,387,271

See accompanying notes to the financial statements.

Dartmouth College

Statement of Activities

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

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

See accompanying notes to the financial statements.

Dartmouth College

Statement of Operating Expenses

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

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

See accompanying notes to financial statements.

Statement of Cash Flows

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

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

See accompanying notes to the financial statements.

A. Summary of Significant Accounting Policies

Description of Organization

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

Basis of Presentation

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

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

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

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

Comparative Financial Information

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

Use of Estimates

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

Statement of Activities

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

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

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

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

Cash and Cash Equivalents

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

Tuition and Fees and Student Scholarships

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

Sponsored Research Grants and Contracts

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

Taxes

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

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

Affiliation with Dartmouth-Hitchcock Medical Center

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

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

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

Insurance

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

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

Gifts and Pledges Receivable

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

Investments

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

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

Endowment

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

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

The College employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each fiscal year. The amount appropriated for expenditure each year is independent of the actual return for the year, but the appropriated amount cannot exceed the total accumulated return in an individual fund at the time of distribution. The endowment distribution formula is the sum of 70% of the prior fiscal year distribution for operating and non-operating activities adjusted for inflation for the prior fiscal year plus 30% of the average market value of the pooled funds for the four quarters of the prior fiscal year multiplied by a percentage established by the Board (5.5% for fiscal 2008 and 2007). In addition $19.1 million was distributed in fiscal 2007 based upon Board approval of an amount up to two-thirds of the endowment return in excess of 10% on unrestricted quasi-endowment funds. Investment return earned in excess of the amount appropriated annually is reinvested in the funds, but can be appropriated in future years in accordance with the utilization policy. The net appreciation on most of the permanently and temporarily restricted endowment funds is reported together with temporarily restricted net assets until such time as all or a portion of the appreciation is appropriated for spending in accordance with the utilization policy and applicable State Law.

Split-Interest Agreements

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

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

Investments Held by Bond Trustee

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

Land, Buildings, Equipment, and Construction in Progress

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

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

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

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

Collections

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

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

B. Receivables and Other Assets

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

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

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

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

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):

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

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):

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

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

E. Investments

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

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

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

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

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

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

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

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):

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

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

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

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

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

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

F. Bonds, Mortgages, and Note Payable

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

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

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

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

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

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

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

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

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

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

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

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

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

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

G. Pension and Other Employment Related Obligations

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

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

In fiscal year 1998, the College revised its pension benefit for staff and non-union service employees, giving each participant a one-time option to either remain in the defined benefit plan or enroll in the College's defined contribution plan effective January 1, 1998. Staff and non-union service employees hired since that date receive retirement benefits under the defined contribution plan. Effective January 1, 2006, all union employees also are enrolled in the defined contribution plan. The College's postretirement medical benefits consist of medical insurance coverage for retirees. Effective June 30, 2007, the College adopted FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans ("FAS 158").*

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

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

As of June 30, 2007, upon implementation of FAS 158, the total of items not yet recognized as a component of net periodic postretirement benefit cost was recognized in the Statement of Activities as the effect of a change in accounting of $88,276,000. On March 4, 2008, the College announced changes to its postretirement health insurance plan that will become effective July 1, 2009. The changes include modifications in plan design for retirees and in cost-sharing for current employees. On July 1, 2009, the College will determine the percentage of retiree health insurance premium that it will subsidize for each current employee who qualifies at retirement for enrollment in the group health insurance plan. New employees hired on or after July 1, 2009 will be eligible to purchase the retiree group health insurance if they qualify at retirement. These plan changes result in a decrease in the College's benefit obligation of $28,646,000 as of June 30, 2008, and is presented separately as an operating decrease in expense in the Statement of Activities. These plan changes will lower annual plan expenses beginning in fiscal year 2009.

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

Amounts recognized in operating activities:

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

Amounts recognized in non-operating activities:

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

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

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

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

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

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

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

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

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

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

H. Other Operating Income

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

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

I. Net Assets

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

	2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
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)
Outside trusts	-	7,720	2,728	10,448
Available for capital projects	61,771	45,048	-	106,819
Estimated value of interest rate swap agreements	(23,576)	-	-	(23,576)
Funding for facilities	243,905	-	-	243,905
Funding for student loans	19,991	25,737	-	45,728
Life income, annuity, and similar funds	-	35,000	39,125	74,125
Endowment and similar funds	983,125	1,969,089	707,945	3,660,159
Total net assets	$ 1,248,279	$ 2,267,944	$ 795,757	$ 4,311,980

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

J. Commitments and Contingencies

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

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

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

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

K. Third Party Charitable Trusts

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

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

L. Subsequent Events

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

In response to Lehman Brothers Holding Company filing for Chapter 11 on September 15, 2008, the College established new agreements for services related to its variable rate debt. Services for remarketing of variable rate debt have been established with JPMorgan Chase for the College's weekly issues and commercial paper program, and with Bank of America for the College's daily issues. Additionally, the College notified Lehman Brothers on September 30, 2008 of its right to terminate the swap agreements at a future date.

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