DARTMOUTH COLLEGE

Financial Statements

2008 – 2009

KPMG LLP
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Suite 400
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Independent Auditors' Report

The Board of Trustees
Dartmouth College:

We have audited the accompanying statement of financial position of Dartmouth College (the College) as of June 30, 2009, and the related statements of activities, operating expenses, and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the College's 2008 financial statements and, in our report dated October 27, 2008, because we were unable to examine evidence regarding the fair value of certain unrecognized trust interests, we expressed a qualified opinion on those financial statements.

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

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

In our opinion, except for the effects of such adjustments deemed necessary had we examined evidence regarding the fair value of the unrecognized trust interests discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Dartmouth College as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in note A to the financial statements, the College adopted the provisions of Financial Accounting Standards Board Staff Position FAS 117-1: *Endowments of Not-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*, and Statement No. 157, *Fair Value Measurements*, as amended, in 2009.

KPMG LLP

October 23, 2009

Statement of Financial Position

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

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

Net Assets		
Unrestricted	$ 885,213	$ 1,248,279
Temporarily restricted	1,670,230	2,267,944
Permanently restricted	840,632	795,757
Total Net Assets	$ 3,396,075	$ 4,311,980

See accompanying notes to the financial statements.

Dartmouth College

Statement of Activities

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

(in thousands)

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

See accompanying notes to the financial statements.

Statement of Operating Expenses

For the year ended June 30, 2009 with summarized financial information for the year ended June 30, 2008
(in thousands)

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

See accompanying notes to the financial statements.

Statement of Cash Flows

For the year ended June 30, 2009, with comparative information for the year ended June 30, 2008
(in thousands)

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

See accompanying notes to the financial statements.

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A. Summary of Significant Accounting Policies

Description of Organization

Dartmouth College (the College) is a private, nonprofit, co-educational, nonsectarian institution of higher education with approximately 4,100 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 scholarships and low-cost loans to Dartmouth students who are unable to finance their education through other sources; and various separately incorporated foundations, which support activities that enrich the experience of students and the community.

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

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

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

Comparative Financial Information

The 2009 financial statements are presented with certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2008, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2009 presentation.

Use of Estimates

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

Statement of Activities

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

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

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

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

Cash and Cash Equivalents

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

Tuition and Fees and Student Scholarships

Tuition and fees revenue is recognized in the fiscal year in which substantially all of the academic program occurs. Tuition and fees revenue from undergraduate enrollment represents approximately 70 percent of tuition and fees revenue. Student scholarships provided by the College are presented in the Statement of Activities as a reduction in tuition and fees revenue. In addition, the College acts as an agent for recipients of scholarships from other sponsors in the amounts of $4,296,000 and $4,395,000 for the years ended June 30, 2009 and 2008, respectively, which are not presented in the Statement of Activities. The College admits students to its undergraduate program without regard to financial need. The financial aid program assists all students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of scholarship grants and work-study employment designed to cover costs of attendance when combined with student and family contributions, based on ability to pay.

Sponsored Research Grants and Contracts

Revenues from government and private sponsored research grants and contracts are recognized when the direct costs associated with the sponsored program are incurred. Revenue from the reimbursement of facilities and administrative costs related to sponsored research is recognized according to predetermined fixed billing rates. Facilities and administrative costs incurred by the College on U.S. government grants and contracts are reimbursed based upon negotiated predetermined cost rates through June 30, 2011. The College recovered facilities and administrative costs of approximately $41,965,000 and $41,322,000 in the years ended June 30, 2009 and 2008, respectively.

Taxes

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

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

Affiliation with Dartmouth-Hitchcock Medical Center

The College, through the Dartmouth Medical School (DMS) is a member of the Dartmouth-Hitchcock Medical Center (DHMC), a confederation of health care organizations intended to coordinate medical education and health care delivery for the residents of New Hampshire and Vermont. DHMC is a nonprofit, tax-exempt corporation organized under New Hampshire State Law. The other members of DHMC are: (i) Mary Hitchcock Memorial Hospital (Hitchcock Hospital), (ii) Dartmouth-Hitchcock Clinic (Clinic), and (iii) Veterans Administration Medical Center of White River Junction, Vermont (VAMC). The staff of the Clinic serves as the primary resource for clinical faculty at DMS, with the Hitchcock Hospital and the VAMC acting as principal sites of clinical instruction for the students of DMS. Each member is a separately organized, governed, and operated institution, with the College having no ownership interest in any other member.

Certain costs, including salaries, facilities use (including construction planning and management, and facilities operation and maintenance), and direct and indirect research, incurred by DMS and the other members of DHMC are shared among the members based on negotiated allocations of the costs on an annual or project specific basis. The members of DHMC, excluding the VAMC, are also parties to a Condominium Ownership Agreement that governs the ownership and operation of the DHMC facilities. During the years ended June 30, 2009 and 2008, the College paid approximately $20.7 million and $19.1 million, respectively, and received approximately $24.3 million and $21.7 million, respectively, in connection with these arrangements.

Insurance

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

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

Gifts and Pledges Receivable

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

Investments

Investments are carried at estimated fair values as defined by Statement of Financial Accounting Standards No. 157 (see Note G). Because many of these investments are not readily marketable, the estimates of fair value involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ from actual results. Purchases and sales of securities are recorded on the trade date, and realized gains and losses are determined on the basis of the average cost of securities sold. Derivative financial instruments held for investment purposes are carried at estimated fair values with resulting gains and losses included in investment return.

Total investment return (interest, dividends, rents, royalties, and net realized and unrealized gains and losses) earned by the College’s endowment investments is reported as endowment activity, while the net income earned by the non-endowment investments is included in other operating and non-operating income. Fees paid to external investment managers are generally based on contractual percentages of the fair market value of assets under management or on annual total investment return. These fees, as well as certain other expenses associated with endowment investment management and custody, including certain internal costs, amounted to approximately $9,665,000 and $14,118,000 for the years ended June 30, 2009 and 2008, respectively, and have been netted against endowment return in the accompanying Statement of Activities.

Endowment

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

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

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

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

Split-Interest Agreements

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

The College has recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using a discount rate of 2.8% (3.8% for FY08), for the net present value of the future cash outflows to beneficiaries of the agreements for which the College serves as trustee. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by the College (third-party charitable trusts), a receivable for the College's beneficial interest is established when the College is notified of the trust's existence and when the third-party trustee has provided the College with sufficient reliable information to estimate the value of the receivable. The College reports the net change in split-interest agreements as a non-operating change in net assets in the Statement of Activities. See Note M for additional discussion of third-party charitable trusts.

Investments Held by Bond Trustees

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

Land, Buildings, Equipment, and Construction in Progress

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

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

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

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

Collections

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

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

Recently Adopted Accounting Pronouncements

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

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

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

B. Receivables and Other Assets

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

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

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

C. Gifts and Pledges Receivable

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

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

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):

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

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):

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

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

E. Endowment

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

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

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

Included in temporarily restricted endowment net assets at the end of the year is the remaining amount of expendable accumulated appreciation on permanent endowment funds of $1,069,933,000 and $1,668,368,000 at June 30, 2009 and 2008, respectively.

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

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

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

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

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

The College employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each fiscal year. The amount appropriated for expenditure each year is independent of the actual return for the year, but the appropriated amount cannot exceed the total accumulated return in an individual fund at the time of distribution. The endowment distribution formula is the sum of 70% of the prior fiscal year distribution for operating and non-operating activities adjusted for inflation for the prior fiscal year plus 30% of the average market value of the pooled funds for the four quarters of the prior fiscal year multiplied by a percentage established by the Board of Trustees (6.0% and 5.5% for fiscal years 2009 and 2008, respectively). The Board of Trustees approved a one-year distribution of an additional 100 basis points for fiscal year 2009, to be used to help fund operating expenses of some strategic facilities projects, with a cap of 7 percent total distribution for any single fund. Investment return earned in excess of the amount appropriated annually is reinvested in the funds, but can be appropriated in future years in accordance with the utilization policy. The net appreciation on most of the permanently and temporarily restricted endowment funds is reported together with temporarily restricted net assets until such time as all or a portion of the appreciation is appropriated for spending in accordance with the utilization policy and applicable State Law.

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

F. Investments

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

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

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

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

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

The College from time to time enters into foreign currency forward contracts to protect long-term investments denominated in foreign currency from currency risk. At June 30, 2009 and 2008, the College held forward contracts to sell foreign currencies in the amount of $95,000 and $0, respectively.

At June 30, 2009 and 2008, the College also held options and futures contracts principally as hedges against market concentration risks in certain segments of its investment portfolio. The College recorded a net unrealized loss of $31,000 and $14,000 as of June 30, 2009 and 2008, respectively, pertaining to options contracts held. The difference between the exercise price of open written options contracts and the estimated value of the related underlying securities resulted in a net short position of $7,000 and $0 at June 30, 2009 and 2008, respectively. The College is obligated to pledge to the appropriate broker, cash or securities to be held as collateral, as determined by exchange margin requirements for futures contracts held. At June 30, 2009 and 2008, the market value of the College's pledged collateral on futures contracts was $40,000 and $55,000, respectively. The difference between the estimated value of open futures contracts to sell and purchase securities was a net long position of $3,757,000 and $4,943,000 as of June 30, 2009 and 2008, respectively.

The College participates in a securities lending program that is designed to enhance return on certain asset holdings. At June 30, 2009 and 2008, the College had the rights to $38,520,000 and $108,222,000, respectively, of cash, temporary investments, and letters of credit as collateral on deposit for certain securities loaned to brokers and other financial institutions. All rights to this collateral, of a secured party under applicable law, are available to the College in the case of a borrower's failure to deliver securities for any reason within the time specified by the applicable securities loan agreement. The securities temporarily on loan are included in the endowment investments of the College with an estimated fair market value as of June 30, 2009 and 2008, of $37,528,000 and $105,535,000, respectively. As of June 30, 2009 and 2008, the College had the rights to cash collateral of $38,520,000 and $103,781,000, respectively, which are reflected as assets and related liabilities.

G. Fair Value Measurements

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

> Level 1 - Quoted prices (unadjusted) in active markets for identical investments as of the reporting date. The type of investment in Level 1 includes listed equities held in the name of the College, and excludes listed equities and other securities held indirectly through commingled funds.
>
> Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
>
> Level 3 - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

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

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

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

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

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

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

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

H. Bonds, Mortgages, and Notes Payable

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

	2009	2008
Revenue bonds issued through NHHEFA for the acquisition, installation construction, renovation, and equipping of various academic, research and administrative facilities:		
Series '09, serial bonds maturing through the year 2039, at fixed rates ranging from 3.30% to 4.77%	$ 198,875	$ -
Series '07A, serial bonds maturing through the year 2031, at variable rates (ranging from .05% to 9.25% from July 1, 2008 - June 30, 2009)	89,920	89,960
Series '07B, serial bonds maturing through the year 2041, at variable rates (ranging from .05% to 9.25% from July 1, 2008 - June 30, 2009)	90,000	90,000
Series '03, serial bonds maturing through the year 2023, at variable rates (ranging from .15% to 7.70% from July 1, 2008 - June 30, 2009)	99,500	102,700
Series '02, term bonds maturing in the year 2032, at variable rates (ranging from .15% to 7.70% from July 1, 2008 - June 30, 2009)	101,000	101,000
Series '99, term bonds maturing in the year 2019, at a rate of 5.92%	-	8,845
Series '98, term bonds maturing in the year 2028, at a rate of 5.12%	-	33,000
Revenue bonds issued through NHHEFA for the renovation of other campus facilities:		
Series '07C, taxable, term bonds maturing in the year 2041, at variable rates (ranging from .42% to 7.70% from July 1, 2008 - June 30, 2009)	30,000	30,000
Revenue bonds issued by DELC through NHHEFA:		
Series '99, term bonds maturing in the year 2039, at a rate of 6.19%	9,940	9,940
Series '85 and Series '98A, serial and term bonds maturing through 2025 at rates ranging from 4.75% to 5.55%	25,730	26,005
Subtotal NHHEFA bonds	$ 644,965	$ 491,450
Series '09 taxable, term bonds maturing in the year 2019, at a rate of 4.75%	250,000	-
Subtotal bonds	$ 894,965	$ 491,450
Mortgages on real estate investments, various maturities through 2037 at fixed and variable rates (ranging from 4.34% to 7.10% from July 1, 2008 - June 30, 2009)	42,807	43,658
Commercial Paper (Taxable Commercial Paper Note, Series A, at a rate of .35%)	7,000	7,000
Note payable, maturing in 2012 at a rate of 5.5%	917	1,183
Subtotal bonds, mortgages, and notes payable	$ 945,689	$ 543,291
Original issue premium (discount), net	4,198	(482)
Total bonds, mortgages, and notes payable, net	$ 949,887	$ 542,809

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

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

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

June 30	Principal Due
2010	$ 11,818
2011	5,007
2012	5,209
2013	14,524
2014	8,493
Thereafter	900,638
Total	$ 945,689

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

June 30	Indebtedness	Payment
2017	Mortgages on real estate investments	$ 18,100
2019	NHHEFA Series 2009 bonds	$ 7,920
2019	2009 Series A bonds	$ 250,000
2023	NHHEFA DELC Series 1998 bonds	$ 15,300
2027	NHHEFA Series 2007A bonds	$ 31,820
2028	NHHEFA Series 2009 bonds	$ 32,190
2028	NHHEFA Series 2007A bonds	$ 52,060
2029	NHHEFA Series 2009 bonds	$ 20,000
2031	NHHEFA Series 2007A bonds	$ 5,120
2032	NHHEFA Series 2002 bonds	$ 101,000
2036	NHHEFA Series 2007B bonds	$ 18,000
2039	NHHEFA DELC Series 1999 bonds	$ 9,940
2039	NHHEFA Series 2009 bonds	$ 138,765
2041	NHHEFA Series 2007B bonds	$ 72,000
2041	NHHEFA Series 2007C bonds	$ 30,000

The estimated fair value of the bonds was approximately $892,566,000 and $496,913,000 as of June 30, 2009 and 2008, respectively, based on the debt service cash flows of the bonds and certain interest rate assumptions for similar bonds.

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

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

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

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

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

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

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

I. Pension and Other Employment Related Obligations

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

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

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

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

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

	Pension Benefits		Postretirement Benefits	
	2009	2008	2009	2008
Net periodic benefit (income) cost included the following:				
Service cost	$ 2,683	$ 3,244	$ 10,298	$ 13,096
Interest cost	6,073	5,934	13,780	13,830
Expected return on assets	(6,744)	(6,382)	-	-
Amortization of prior service cost	954	954	(4,158)	-
Recognized net actuarial loss	-	221	2,546	4,185
Net periodic benefit cost	$ 2,966	$ 3,971	$ 22,466	$ 31,111
Weighted-average assumptions:				
Discount rate used to determine net periodic benefit cost	7.00%	6.25%	7.00%	6.25%
Expected return on plan assets	7.50%	7.50%	-	-
Rate of compensation increase	5.50%	5.50%	-	-
Discount rate used to determine benefit obligations	6.80%	7.00%	7.00%	7.00%

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

On March 4, 2008, the College announced changes to its postretirement health insurance plan that became effective July 1, 2009. The changes include modifications in plan design for retirees and in cost-sharing for current employees. On July 1, 2009, the College determined the percentage of retiree health insurance premium that it will subsidize for each current employee who qualifies at retirement for enrollment in the group health insurance plan. New employees hired on or after July 1, 2009 are eligible to purchase the retiree group health insurance if they qualify at retirement. These plan changes resulted in a decrease in the College's benefit obligation of $28,646,000 as of June 30, 2008, and is presented separately as an operating decrease in expense in the Statement of Activities. These plan changes result in lower annual plan expenses beginning in fiscal year 2009.

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

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

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

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

The investment objective of the defined benefit pension plan (the Plan) is to generate a net investment return that will meet the long-term liabilities of the Plan while maintaining sufficient liquidity to pay current benefits. This is primarily achieved by holding a diversified asset mix of marketable equity and fixed income securities and, to a lesser degree, illiquid private equity and real estate funds. Outside investment advisors are utilized to manage Plan assets and are selected based on their investment style, philosophy, and past performance. The expected long-term return on the investments of the Plan is 7.5%. This rate represents a weighted aggregation of the projected returns for each asset class considering both historical returns and future expectations. The College's Investment Office is responsible for managing the asset allocation and investment risk management of the Plan. The College currently expects to contribute approximately $5,000,000 to the Plan in fiscal year 2010.

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

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

Assumed health care cost trend rates have a significant effect on the estimated amounts reported for the postretirement benefit plan. The medical cost trend rates for pre-age 65 and post-age 65 retirees, respectively, are assumed to be 9.0% and 9.75% in year 2010, decrease gradually to 5% and 6% in fiscal year 2018, and remain level thereafter. The College's estimate of postretirement benefit expense and obligations also reflects the impact of the Medicare Prescription Drug Improvement and Modernization Act, which provides for tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage.

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

Increase (decrease) in total of service and interest cost components	$ 4,887	$ (3,814)
Increase (decrease) in postretirement benefit obligation	$ 35,840	$ (28,574)

The College also maintains defined contribution retirement plans for its employees. These benefits are individually funded and are subject to various vesting requirements. Under these arrangements, the College makes monthly contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2009 and 2008 were $24,282,000 and $23,125,000, respectively.

J. Other Operating Income

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

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

K. Net Assets

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

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

	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)
Third-party charitable trusts	-	7,720	2,728	10,448
Facilities, equipment, and capital projects	305,676	45,048	-	350,724
Estimated value of interest rate swap agreements	(23,576)	-	-	(23,576)
Funding for student loans	19,991	25,737	-	45,728
Life income, annuity, and similar funds	-	35,000	39,125	74,125
Endowment and similar funds	983,125	1,969,089	707,945	3,660,159
Total net assets	$ 1,248,279	$ 2,267,944	$ 795,757	$ 4,311,980

L. Commitments and Contingencies

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

The College is obligated under certain venture capital, oil and gas, and real estate investment fund contracts, principally limited partnership agreements, to periodically advance additional funding up to contractual levels. At June 30, 2009, the College had unfunded commitments of $823,494,000 payable through 2019.

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

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

M. Third-Party Charitable Trusts

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

As of June 30, 2009 and 2008, third-party trustees have not provided the College with sufficient information necessary to estimate the fair value of the College's interest in certain trusts. The College has not recorded an asset in connection with these trusts due to the uncertainty surrounding the potential value of the College's interest in these trusts as of June 30, 2009 and 2008. If the College's interest in these trusts were reflected on the Statement of Financial Position, the College's assets and net assets would be greater than the amounts reported in the accompanying financial statements.

N. Subsequent Events

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