# DARTMOUTH COLLEGE

Financial Statements

2013 - 2014

**Independent Auditor's Report**

To the Board of Trustees of Dartmouth College:

We have audited the accompanying consolidated financial statements of Dartmouth College ("the College"), which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities, operating expenses, and cash flows for the year then ended.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the College's preparation and fair presentation of the consolidated financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dartmouth College at June 30, 2014, and the changes in its net assets, its operating expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Matter*

The summarized consolidated financial statements of the College as of June 30, 2013 and for the year then ended were audited by other auditors whose report, dated October 21, 2013, expressed an unmodified opinion on those statements.

PricewaterhouseCoopers LLP

October 20, 2014

## Statement of Financial Position

As of June 30, 2014, with comparative information as of June 30, 2013
(in thousands)

| | 2014 | 2013 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 200,750 | $ 240,195 |
| Receivables and other assets, net | 151,986 | 153,764 |
| Investment related receivables | 14,681 | 25,242 |
| Pledges receivable, net | 97,258 | 94,711 |
| Investments | 5,547,788 | 4,724,245 |
| Land, buildings, equipment, and construction in progress, net | 955,531 | 944,327 |
| **Total assets** | $ 6,967,994 | $ 6,182,484 |
| **Liabilities** | | |
| Accounts payable and other liabilities | $ 72,532 | $ 67,985 |
| Investment related payables | 22,366 | 44,911 |
| Deferred revenues and deposits | 40,741 | 41,147 |
| Liability for split-interest agreements | 51,876 | 41,504 |
| Pension and other employment related obligations | 390,390 | 272,450 |
| Bonds, mortgages, and notes payable, net | 1,113,333 | 1,126,787 |
| Interest rate swap liabilities, at fair value | 141,219 | 133,222 |
| Conditional asset retirement obligations | 23,144 | 22,456 |
| Government advances for student loans | 20,443 | 20,332 |
| **Total liabilities** | 1,876,044 | 1,770,794 |
| **Net Assets** | | |
| Unrestricted | 1,349,963 | 1,258,727 |
| Temporarily restricted | 2,561,992 | 2,101,508 |
| Permanently restricted | 1,179,995 | 1,051,455 |
| **Total net assets** | 5,091,950 | 4,411,690 |
| **Total liabilities and net assets** | $ 6,967,994 | $ 6,182,484 |

*See accompanying notes to the financial statements.*

## Statement of Activities

For the year ended June 30, 2014, with summarized financial information for the year ended June 30, 2013
(in thousands)

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2014 | Total 2013 |
|---|---|---|---|---|---|
| **Endowment Activities** | | | | | |
| Gifts | $ 53 | $ 7,779 | $ 135,624 | $ 143,456 | $ 28,047 |
| Net investment return | 183,022 | 592,836 | 1,595 | 777,453 | 404,762 |
| Distributed for spending | ( 43,940) | ( 144,606) | - | ( 188,546) | ( 185,478) |
| Other changes | 1,465 | ( 1,373) | 2,270 | 2,362 | 2,529 |
| Amounts transferred (to) from other funds, net | 1,456 | ( 2,073) | 515 | ( 102) | ( 2,648) |
| **Change in net assets from endowment activities** | 142,056 | 452,563 | 140,004 | 734,623 | 247,212 |
| **Operating Activities** | | | | | |
| Revenues | | | | | |
| Tuition and fees | 320,224 | - | - | 320,224 | 304,808 |
| Student scholarships | ( 128,398) | - | - | ( 128,398) | ( 124,223) |
| Net tuition and fees | 191,826 | - | - | 191,826 | 180,585 |
| Sponsored research grants and contracts | 177,539 | - | - | 177,539 | 181,517 |
| Dartmouth College Fund and other gifts | 76,767 | 8,817 | - | 85,584 | 90,332 |
| Distributed endowment investment return | 180,591 | 6,452 | - | 187,043 | 183,816 |
| Other operating income | 152,556 | - | - | 152,556 | 131,745 |
| Auxiliaries | 72,195 | - | - | 72,195 | 65,496 |
| Net assets released from restrictions | 20,948 | ( 20,948) | - | - | - |
| Total revenues | 872,422 | ( 5,679) | - | 866,743 | 833,491 |
| Expenses | | | | | |
| Academic and student programs | 544,984 | - | - | 544,984 | 534,885 |
| Sponsored programs | 127,308 | - | - | 127,308 | 128,000 |
| General institutional services | 97,159 | - | - | 97,159 | 92,528 |
| Auxiliaries | 83,659 | - | - | 83,659 | 79,860 |
| Total expenses | 853,110 | - | - | 853,110 | 835,273 |
| **Change in net assets from operating activities** | 19,312 | ( 5,679) | - | 13,633 | ( 1,782) |
| **Non-operating Activities** | | | | | |
| Gifts | - | 27,189 | 544 | 27,733 | 37,444 |
| Other non-operating changes, net | 30,222 | 302 | - | 30,524 | 30,430 |
| Distributed endowment investment return | 235 | 1,268 | - | 1,503 | 1,662 |
| Increase/decrease in outstanding pledges | - | 11,778 | ( 9,231) | 2,547 | ( 48,065) |
| Pension and postretirement benefit related changes other than net periodic benefit costs | ( 103,413) | - | - | ( 103,413) | 63,258 |
| Disposals and non-capitalized expenditures | ( 11,248) | ( 681) | - | ( 11,929) | ( 22,392) |
| Change in unrealized gain (loss) related to interest rate swap agreements | ( 7,997) | - | - | ( 7,997) | 83,084 |
| Net assets released from restrictions | 9,372 | ( 9,372) | - | - | - |
| Amounts transferred (to) from endowment, net | 12,697 | ( 12,595) | | 102 | 2,648 |
| Net change in split-interest agreements | - | ( 4,289) | ( 2,777) | ( 7,066) | 641 |
| **Change in net assets from non-operating activities** | ( 70,132) | 13,600 | ( 11,464) | ( 67,996) | 148,710 |
| **Change in net assets** | 91,236 | 460,484 | 128,540 | 680,260 | 394,140 |
| **Net Assets, beginning of year** | 1,258,727 | 2,101,508 | 1,051,455 | 4,411,690 | 4,017,550 |
| **Net Assets, end of year** | $ 1,349,963 | $ 2,561,992 | $ 1,179,995 | $ 5,091,950 | $ 4,411,690 |

*See accompanying notes to the financial statements.*

## Statement of Operating Expenses

For the year ended June 30, 2014, with summarized financial information for the year ended June 30, 2013
(in thousands)

| | | | General Institutional Services | | | | | Total Expenses | |
|---|---|---|---|---|---|---|---|---|---|
| | Academic & Student Programs | Sponsored Programs | Administrative Support | Facilities Operation & Maintenance | Development | Total | Auxiliaries | 2014 | 2013 |
| **Salaries and wages** | $ 234,535 | $ 56,287 | $ 27,981 | $ 18,149 | $ 18,303 | $ 64,433 | $ 14,149 | $ 369,404 | $ 350,991 |
| **Employee benefits** | 80,650 | 15,735 | 9,273 | 6,015 | 6,066 | 21,354 | 4,689 | 122,428 | 124,583 |
| **Fellowships and student support** | 10,908 | 3,620 | - | - | - | - | 490 | 15,018 | 14,672 |
| **Materials, equipment, and supplies** | 34,517 | 9,040 | 7,786 | 2,052 | 1,712 | 11,550 | 16,860 | 71,967 | 72,102 |
| **Purchased services** | 44,905 | 39,550 | 6,792 | 1,986 | 6,722 | 15,500 | 9,517 | 109,472 | 110,248 |
| **Utilities, taxes, and occupancy** | - | - | - | 41,724 | - | 41,724 | 7,849 | 49,573 | 47,045 |
| **Depreciation** | 40,261 | - | 2,772 | 5,381 | 47 | 8,200 | 9,760 | 58,221 | 57,647 |
| **Lodging, travel, and similar costs** | 21,093 | 2,813 | 1,037 | 66 | 2,026 | 3,129 | 239 | 27,274 | 29,094 |
| **Interest and amortization** | - | - | - | 22,953 | - | 22,953 | 1,417 | 24,370 | 24,234 |
| **Other expenses** | 3,220 | 263 | 1,250 | 100 | 369 | 1,719 | 181 | 5,383 | 4,657 |
| | 470,089 | 127,308 | 56,891 | 98,426 | 35,245 | 190,562 | 65,151 | 853,110 | 835,273 |
| **Facilities operation & maintenance** | 74,895 | - | 4,935 | ( 98,426) | 88 | ( 93,403) | 18,508 | - | |
| **Total expenses for FY14** | $ 544,984 | $ 127,308 | $ 61,826 | $ - | $ 35,333 | $ 97,159 | $ 83,659 | $ 853,110 | |
| **Total expenses for FY13** | $ 534,885 | $ 128,000 | $ 60,082 | $ - | $ 32,446 | $ 92,528 | $ 79,860 | | $ 835,273 |

*See accompanying notes to the financial statements.*

## Statement of Cash Flows

For the year ended June 30, 2014, with comparative information for the year ended June 30, 2013
(in thousands)

| | 2014 | 2013 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Total change in net assets | $ 680,260 | $ 394,140 |
| Adjustments to reconcile total change in net assets to net cash used by operating activities: | | |
| Depreciation and amortization | 58,557 | 57,984 |
| Change in estimated value of interest rate swap agreements | 7,997 | (83,084) |
| Change in estimated pension and post-retirement benefit obligation | 110,337 | (49,872) |
| Change in split-interest liability | 10,372 | - |
| Change in pledges receivable, net | (2,547) | 48,065 |
| Other non-cash transactions | 12,141 | 8,318 |
| Contributions, investment income, and other changes restricted for long-term investment | (152,481) | (63,557) |
| Net realized and unrealized gains | (849,311) | (442,883) |
| Changes in operating assets and liabilities: | | |
| Receivables and other assets, net | (5,861) | 20,996 |
| Accounts payable and other liabilities | 3,347 | (5,647) |
| Deferred revenues and deposits | (406) | 3,026 |
| Employment related obligations | 7,603 | 6,342 |
| Net cash used by operating activities | (119,992) | (106,172) |
| **Cash flows from investing activities** | | |
| Student loans granted | (8,150) | (6,861) |
| Student loans repaid | 14,389 | 15,362 |
| Purchases of land, buildings, and equipment | (78,687) | (82,836) |
| Proceeds from the sale of land, buildings, and equipment | 77 | 473 |
| Net change in split-interest agreements | - | (201) |
| Net change in unsettled trades | (11,984) | (41,968) |
| Purchases of investments | (4,270,901) | (4,583,645) |
| Sales and maturities of investments | 4,296,669 | 4,678,047 |
| Net cash used by investing activities | (58,587) | (21,629) |
| **Cash flows from financing activities** | | |
| Proceeds from issuance of debt | - | 4,900 |
| Repayment of debt | (13,458) | (6,993) |
| Change in investments held by bond trustees | - | 151 |
| Contributions, investment income, and other changes restricted for long-term investment in: | | |
| Facilities | 7,942 | 23,606 |
| Endowment, life income, and similar funds | 144,539 | 39,951 |
| Changes in government advances for student loans | 111 | 140 |
| Net cash provided by financing activities | 139,134 | 61,755 |
| **Net change in cash and cash equivalents** | (39,445) | (66,046) |
| Cash and cash equivalents, beginning of year | 240,195 | 306,241 |
| Cash and cash equivalents, end of year | $ 200,750 | $ 240,195 |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid for interest | $ 52,357 | $ 52,149 |
| Accounts payable related building and equipment additions | $ 1,888 | $ 382 |
| Contributed securities received | $ 29,633 | $ 44,900 |

*See accompanying notes to the financial statements.*

## A. Summary of Significant Accounting Policies

**Description of Organization**

Dartmouth College (Dartmouth) is a private, nonprofit, co-educational, nonsectarian institution of higher education with approximately 4,300 undergraduate and 2,100 graduate students. Established in 1769, Dartmouth includes the four-year undergraduate college, with graduate schools of business, engineering, and medicine, and several graduate programs in the Arts and Sciences.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis. Dartmouth's financial statements include the accounts of its wholly owned subsidiaries and certain affiliated organizations over which it has financial control. 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 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 Dartmouth's mission. Under the authority of Dartmouth's management and Board of Trustees, in order to support Dartmouth's strategic initiatives, all or a portion of unrestricted net assets may be set aside in segregated Dartmouth-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 Dartmouth-designated net assets include funds designated for operating initiatives, facilities, and long-term quasi-endowment. The purposes for which Dartmouth-designated net assets are earmarked may be changed under the authority of Dartmouth's management or Board of Trustees. 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, certain 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. Temporarily restricted endowment distribution and donor-restricted gifts which are received, and either spent or deemed spent within the same fiscal year, are reported as unrestricted.

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, Dartmouth has 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 Dartmouth'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 Dartmouth, investment return that has been appropriated by Dartmouth's Board of Trustees is presented as an increase in unrestricted operating or non-operating activities, depending upon Dartmouth's intended use of the funds. Permanently restricted net assets consist of the original principal of endowment gifts, life income and similar funds, and certain pledges.

**Comparative Financial Information**

The 2014 financial statements are presented with certain prior-year comparative information summarized 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 Dartmouth's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

**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 materially from these estimates, particularly during periods of investment and/or interest rate volatility.

**Statement of Activities**

Operating activities presented in the Statement of Activities consist of revenues earned, endowment net investment return appropriated by Dartmouth's Board of Trustees, and expenses incurred in conducting Dartmouth's programs and services. 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, investment income, other earnings, and endowment investment return appropriated by Dartmouth's Board of Trustees for loan programs and the construction, purchase or sale 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 invest in perpetuity, amounts designated by Dartmouth'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 Dartmouth'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 Dartmouth changes the designation of unrestricted funds.

**Cash and Cash Equivalents**

Cash and cash equivalents consist principally of U.S. treasury funds, 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 66 percent of tuition and fees revenue. Student scholarships provided by Dartmouth are presented in the Statement of Activities as a reduction in tuition and fees revenue. In addition, Dartmouth acts as an agent for recipients of scholarships from other sponsors in the amounts of $5,375,000 and $5,822,000 for the years ended June 30, 2014 and 2013, respectively, which are not presented in the Statement of Activities.

Dartmouth 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 scholarships, loans and/or 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 incurred by Dartmouth on U.S. government grants and contracts is based upon negotiated predetermined cost rates through June 30, 2015. Dartmouth recovered facilities and administrative costs of approximately $42,754,000 and $44,241,000 during the years ended June 30, 2014 and 2013, respectively.

**Taxes**

Dartmouth 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. Dartmouth 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 Dartmouth's tax exempt purposes. Certain Dartmouth real estate entities are exempt from federal income tax under Sections 501(c)(2) and 501(c)(25) of the Code. As of June 30, 2014, tax years ended June 30, 2011 through June 30, 2013 remain open and are subject to federal and state taxing authority examination. Dartmouth believes it has taken no significant uncertain tax positions.

**Affiliation with Dartmouth-Hitchcock Medical Center**

Dartmouth, through the Geisel School of Medicine (Geisel), 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 Geisel clinical faculty, with the Hitchcock Hospital and the VAMC acting as principal sites of clinical instruction for Geisel students. Each member of DHMC is a separately organized, governed, and operated institution, with Dartmouth 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 Geisel 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, 2014 and 2013, Dartmouth paid approximately $26.4 million and $27.6 million, respectively, and received approximately $30.0 million and $28.5 million, respectively, in connection with these arrangements.

**Insurance**

Dartmouth 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 deductible or self-insured retention amounts, are in place to cover trustee errors and omissions and employment practices, crime bond, commercial general and automobile liability, pension trust fiduciary errors and omissions liability, and property losses. Workers' compensation losses are covered by a self-insured retention and excess insurance program. Dartmouth currently participates in three risk retention groups that provide general liability and professional and medical malpractice liability insurance.

Dartmouth's annual premium payments for conventional insurance coverage are included in operating expenses. Estimated liabilities for losses under Dartmouth's deductible and/or 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. Insurance reserves are based on actuarial analysis and/or 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 Dartmouth include gifts that are received and the net change in pledges receivable during a period. Gifts, pledges and pledge payments 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 reported at fair value in accordance with GAAP. 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. Cash and cash equivalents designated for investment purposes is included in investments and may include money market funds, foreign currency held for investment purposes, and fixed income securities with an original or remaining maturity of three months or less when purchased. Advance contributions to commingled fund investments and redemptions receivable from commingled fund investments at June 30, 2014 are included within Investments as presented on the Statement of Financial Position.

For investments held directly by Dartmouth for which an active market with quoted prices exists, the market price of an identical security is used as fair value. Fair values for shares in commingled funds are based on the quoted market value or share prices reported as of the last business day of the fiscal year. Dartmouth's interest in certain other commingled funds and private partnership interests are reported at the net asset value (NAV) as determined by the external fund manager. As permitted by GAAP, Dartmouth uses NAV as a practical expedient to estimate the fair value of Dartmouth's ownership interest, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. Dartmouth performs due diligence procedures related to these investments to support recognition at fair value at fiscal year-end. 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.

Commencing in fiscal year 2014, Dartmouth extended its accounting closing process related to receiving valuations from private investment managers. This extension allowed Dartmouth to improve the accuracy of reporting private investment values at fiscal year-end. As a result of this extension, a previously unreported unrealized gain from June 30, 2013 of $59,432,000 was recorded within the $777,453,000 net investment return for the year ended June 30, 2014 on the Statement of Activities. Dartmouth assessed the impact of the $59,432,000 out-of-period unrealized gain adjustment on both the 2013 and 2014 fiscal years and has concluded that it is immaterial.

Directly held real estate is reflected at fair value in accordance with Dartmouth's valuation policy. The valuation policy includes: the estimated price that would be received from the sale of the asset in an orderly transaction between market participants, prices determined by independent external appraisals for at least one third of the properties in a given year, or at cost which approximates fair value for properties held for less than a year or which are being actively developed.

Total investment return (interest, dividends, rents, royalties, and net realized and unrealized gains and losses) earned by Dartmouth's endowment investments is included in endowment activities on the Statement of Activities, while the net income earned by the non-endowment investments is included in other operating or non-operating income on the Statement of Activities. Dividend income is recognized net of applicable withholding taxes on the ex-dividend date. Non-cash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of applicable withholding taxes on the accrual basis of accounting. Dartmouth amortizes bond premiums and accretes bond discounts using the effective yield method and when cash collection is expected. Fees charged by external investment managers are generally based on contractual percentages of the fair market value of assets under management or on annual total investment return and are, in most cases, netted against investment return. However, certain expenses paid directly by Dartmouth for investment management and custody services, including certain internal costs, amounted to approximately $11,947,000 and $12,970,000 for the years ended June 30, 2014 and 2013, respectively, and have been netted against endowment return and other operating and non-operating income in the accompanying Statement of Activities.

The asset allocation of Dartmouth's investment portfolio involves exposure to a diverse set of markets. The investments within these markets involve various risks such as price, interest rate, market, sovereign, currency, liquidity, and credit risks. Additionally, the investments in real assets and direct real estate expose Dartmouth to a unique set of risks such as operational, environmental, and political risks. Dartmouth anticipates that the value and composition of its investments may, from time to time, fluctuate substantially in response to any or all of the risks described herein.

**Endowment**
Dartmouth'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 Dartmouth'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 Dartmouth's operating and non-operating activities. 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 Dartmouth-designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures.

Giving consideration to the New Hampshire Uniform Prudent Management of Institutional Funds Act (UPMIFA), Dartmouth classifies as permanently restricted net assets all endowment funds that must be retained permanently in accordance with stipulations imposed by a donor at the time of a gift, plus the original value of assets donated to permanent endowment, along with any investment earnings that are directed by the donor to be reinvested in perpetuity (i.e., historic book value). The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Unrestricted endowment net assets include Dartmouth 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 Dartmouth 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 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 Dartmouth, 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, after which time the remaining assets and future investment return are retained by Dartmouth. At the discretion of the donor, Dartmouth may or may not serve as trustee for the split-interest agreement.

Dartmouth has recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using a discount rate of 2.2% for FY14 and 1.2% for FY13, for the net present value of the future cash outflows to beneficiaries of the agreements for which Dartmouth serves as trustee. When Dartmouth is not the trustee of the assets associated with a split-interest agreement, a receivable for Dartmouth's beneficial interest is established when Dartmouth is notified of the trust's existence and when the third-party trustee has provided Dartmouth with sufficient reliable information to estimate the value of the receivable, which the College considers a Level 3 measurement. Dartmouth requests information regularly from third-party trustees for financial reporting purposes; however, these trustees are not obligated to provide Dartmouth with the information necessary to estimate fair value and record the asset. Dartmouth respects the privacy of donors and trustees in these limited instances. Dartmouth reports the net change in split-interest agreements as a non-operating change in net assets in the Statement of Activities.

**Land, Buildings, Equipment, and Construction in Progress**
Land, buildings, equipment, 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 Dartmouth'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**
Dartmouth's collections include works of art, literary works, historical treasures, and artifacts that are maintained in its 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 Dartmouth's inception, are not recognized as assets in the Statement of Financial Position. Purchases of collection items are recorded in the Statement of Activities as non-operating 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.

## B. Receivables and Other Assets

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

| | 2014 | 2013 |
|---|---|---|
| Student accounts | $ 3,039 | $ 2,334 |
| Sponsored research grants and contracts | 19,667 | 20,162 |
| Other accounts | 46,396 | 44,008 |
| Notes and student loans | 68,800 | 75,039 |
| *Less*: allowance for uncollectible accounts | (4,047 ) | (2,979 ) |
| Receivables, net | $ 133,855 | $ 138,564 |
| Prepaid costs, inventories, and other assets | 18,131 | 15,200 |
| **Total receivables and other assets, net** | $ 151,986 | $ 153,764 |

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 Dartmouth 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):

| | 2014 | 2013 |
|---|---|---|
| Gifts to support operations | $ 85,584 | $ 90,332 |
| Gifts for: | | |
| Facilities and student loans | 8,012 | 23,626 |
| Other restricted uses | 12,875 | 2,713 |
| Endowment | 143,456 | 28,047 |
| Split-interest agreements | 6,846 | 11,105 |
| **Total gifts and pledge payments** | $ 256,773 | $ 155,823 |

Unconditional pledges as of June 30 are expected to be realized in the following periods, discounted at rates ranging from 0.07% to 6.2% (in thousands):

| | 2014 | 2013 |
|---|---|---|
| In one year or less | $ 53,056 | $ 60,024 |
| Between one year and five years | 50,313 | 47,921 |
| Six years and after | 5,038 | 1,531 |
| Gross pledges receivable | $ 108,407 | $ 109,476 |
| *Less*: present value discount | (3,700 ) | (3,083 ) |
| *Less*: allowance for uncollectible pledges | (7,449 ) | (11,682 ) |
| **Pledges receivable, net** | $ 97,258 | $ 94,711 |

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

## D. Investments

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

| | 2014 | 2013 |
|---|---|---|
| Endowment investments | $ 4,535,783 | $ 3,802,047 |
| Split-interest agreement investments | 125,245 | 111,744 |
| Operating and other investments | 886,760 | 810,454 |
| **Total investments** | $ 5,547,788 | $ 4,724,245 |

The framework for measuring fair value utilizes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy 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 actively listed equities, US Treasury securities, and exchange traded and registered funds all held directly by Dartmouth, 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. The type of investments in Level 2 includes fixed income securities, derivatives, and commingled funds that are valued using NAV and are redeemable within 90 days as of the reporting date.

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. The type of investments in Level 3 includes illiquid partnership interests, directly held real estate, and other commingled funds that are valued using NAV and are redeemable more than 90 days from the reporting date.

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.

The following table summarizes Dartmouth's assets that are reported at fair value by their fair value hierarchy classification as of June 30, 2014 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Assets: | | | | |
| Investments: | | | | |
| Cash and cash equivalents | $ 246,979 | $ - | $ - | $ 246,979 |
| Fixed income[1] | 199,019 | 223,254 | 458 | 422,731 |
| Global equity: | | | | |
| US equity | 587,875 | 243,987 | 374,479 | 1,206,341 |
| International | 18,014 | 231,936 | - | 249,950 |
| Emerging markets | 48,548 | 136,360 | 10,735 | 195,643 |
| Marketable alternative strategies | - | 218,858 | 869,982 | 1,088,840 |
| Private equity/venture capital | - | - | 1,033,804 | 1,033,804 |
| Real assets: | | | | |
| Real estate | 17,108 | - | 571,217 | 588,325 |
| Other real assets | 75,536 | - | 256,412 | 331,948 |
| Other investments | - | 116 | 7,683 | 7,799 |
| Contribution in Advance | 40,000 | - | - | 40,000 |
| Redemption Receivable | 135,428 | - | - | 135,428 |
| Total investments | $ 1,368,507 | $ 1,054,511 | $ 3,124,770 | $ 5,547,788 |

[1] Fixed income includes privately held bonds.

The following table lists specified investment terms by asset category for Dartmouth's interest in certain commingled funds and private partnership interests that are reported at NAV as of June, 30, 2014 (in thousands):

| | Redemption Terms | Days Notice | Unfunded Commitment | Remaining Life |
|---|---|---|---|---|
| Global equity: | | | | |
| US equity[1] | Ranges from quarterly to bi-annually | 60 – 90 | $ - | Not applicable |
| International | Ranges from monthly to quarterly | 6 – 60 | - | Not applicable |
| Emerging markets | Ranges from monthly to bi-annually | 30 – 120 | - | Not applicable |
| Marketable alternative strategies[2] | Ranges from quarterly to every three years | 60 – 180 | - | Not applicable |
| Private equity/venture capital | Illiquid | Not applicable | 310,148 | 1 – 12 years |
| Real assets: | | | | |
| Real estate | Illiquid | Not applicable | 126,232 | 1 – 12 years |
| Other real assets | Illiquid | Not applicable | 109,430 | 1 – 20 years |
| Total | | | $ 545,810 | |

[1] US equity includes funds that have restrictions on the ability to fully redeem up to five years.
[2] Marketable alternative strategies includes funds that have restrictions on the ability to fully redeem up to five years, excluding illiquid securities and special investments.

The following table summarizes Dartmouth's assets that are reported at fair value by their fair value hierarchy classification as of June 30, 2013 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total | Redemption or Liquidation | Days' Notice |
|---|---|---|---|---|---|---|
| Assets: | | | | | | |
| Investments: | | | | | | |
| Cash and cash equivalents | $ 238,098 | $ - | $ - | $ 238,098 | Daily | 1 |
| Fixed income[1] | 165,274 | 234,258 | 1 | 399,533 | Daily-Monthly | 1 |
| Global equity: | | | | | | |
| US equity[2] | 459,670 | 260,862 | 219,113 | 939,645 | Daily-Bi-annual | 1-90 |
| International | 16,841 | 130,827 | - | 147,668 | Daily - Monthly | 1-10 |
| Emerging markets[3] | 42,425 | 131,686 | 18,271 | 192,382 | Daily - Annual | 1-120 |
| Marketable alternative strategies[4] | - | 193,253 | 825,199 | 1,018,452 | Quarterly-Annual | 30-180 |
| Private equity/venture capital | - | - | 902,367 | 902,367 | Illiquid | Not Applicable |
| Real assets: | | | | | | |
| Real estate | 13,637 | 191,804 | 381,806 | 587,247 | Daily - Illiquid | 1 Day - Not Applicable |
| Other real assets | 60,917 | - | 229,091 | 290,008 | Daily - Illiquid | 1 Day - Not Applicable |
| Other investments | - | 1,797 | 7,048 | 8,845 | Not Applicable | Not Applicable |
| Total investments | $ 996,862 | $ 1,144,487 | $ 2,582,896 | $ 4,724,245 | | |

[1] Fixed income includes privately held bonds.
[2] US equity includes funds that may have restrictions on the ability to fully redeem up to five years, excluding special investments and other securities that are non-marketable.
[3] Emerging markets includes a fund that has a lock-up expiring on or before April 2015.
[4] Marketable alternative strategies include two funds having initial lock-ups expiring on or before April 2014. Other funds may have restrictions on the ability to fully redeem up to three years, excluding illiquid securities and special investments.

At June 30, 2013, Dartmouth's outstanding commitments to limited partnerships totaled $437,444,000. The anticipated draw down for these commitments is typically between 1 and 5 years with remaining fund lives typically between 1 and 12 years. The structure of these investments is such that there is no ability to redeem, and therefore these investments are considered illiquid.

The following tables present Dartmouth's activity for the fiscal years ended June 30, 2014 and 2013 for investments measured at fair value in Level 3 (in thousands):

| | Marketable Alternative Strategies | Private Equity/Venture Partnerships | Real Assets | Other Assets | Total |
|---|---|---|---|---|---|
| Balance as of June 30, 2013 | $ 825,199 | $ 902,367 | $ 610,897 | $ 244,433 | $ 2,582,896 |
| Acquisitions / purchases | 124,500 | 90,065 | 40,041 | 31,713 | 286,319 |
| Distributions / sales | (148,197 ) | (248,541 ) | (170,277 ) | (13,485 ) | (580,500 ) |
| Transfers In | 41,913 | - | 193,571 | 62,380 | 297,864 |
| Transfers Out | (77,925 ) | - | - | (25,536 ) | (103,461 ) |
| Investment income and realized gain | 57,510 | 140,856 | 69,662 | 4,506 | 272,534 |
| Change in unrealized gain on investments | 46,982 | 149,057 | 83,735 | 89,344 | 369,118 |
| Balance as of June 30, 2014 | $ 869,982 | $ 1,033,804 | $ 827,629 | $ 393,355 | $ 3,124,770 |

| | Marketable Alternative Strategies | Private Equity/Venture Partnerships | Real Assets | Other Assets | Total |
|---|---|---|---|---|---|
| Balance as of June 30, 2012 | $ 689,325 | $ 961,640 | $ 650,290 | $ 213,201 | $ 2,514,456 |
| Acquisitions / purchases | 103,000 | 75,721 | 50,990 | 23,101 | 252,812 |
| Distributions / sales | (71,755 ) | (250,820 ) | (140,622 ) | (27,977 ) | (491,174 ) |
| Investment income and realized gains | 57,928 | 139,423 | 57,711 | 10,262 | 265,324 |
| Change in unrealized gain (loss) on investments | 46,701 | (23,597 ) | (7,472 ) | 25,846 | 41,478 |
| Balance as of June 30, 2013 | $ 825,199 | $ 902,367 | $ 610,897 | $ 244,433 | $ 2,582,896 |

Included in Other Assets in the above tables are fixed income, global equity, and other investments.

Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. Transfers from Level 3 to Level 2 are primarily due to changes in liquidity provisions of certain commingled funds available within 90 days of the measurement date. Transfers from Level 2 to Level 3 are primarily due to Dartmouth's evaluation of the liquidity terms of certain commingled funds. Effective July 1, 2013, Dartmouth considers its directly held real estate investments to be Level 3 investments based on the provision of additional transparency into the observability of inputs.

The following table provides quantitative information about the significant unobservable inputs used in the valuation of directly held real estate as of June 30, 2014. Investments in real estate represent the total asset value of each of the underlying property investments. Significant changes in any one third party appraisal input would likely not result in a significant change in fair value measurement to the directly held real estate portfolio, however, actual results could differ materially from these estimates particularly during periods of investment and/or interest rate volatility.

| Valuation Technique | Fair Value[1] | Unobservable Inputs | Input Value(s) |
|---|---|---|---|
| Third party appraisal-income approach & comparable sales | $ 183,007 | Capitalization rate<br>Discount rate | 6.50 – 9.00%<br>8.00 – 12.00% |
| Tax assessed value – adjusted annually | 19,484 | State/Local equalization ratios | .947 - .993 |
| Net present value | 1,229 | Discount rate | 3.17% |
| Cost | 593 | Not applicable | Not applicable |
| Total | $ 204,313 | | |

[1] The fair value may be determined using multiple valuation techniques.

The Fixed Income portfolio includes strategies based on capital preservation and predictable yield as well as more opportunistic strategies focused on generating return through price appreciation. These strategies generally include corporate debt securities, government securities, mortgage backed and asset backed securities and other financial instruments. The structures of these investments include directly held securities as well as investments through commingled funds and derivatives.

The Global Equity portfolio includes managers who primarily invest in public long-only and long/short equity securities with portfolios that are directionally exposed to the market. The structures of these investments include directly held securities as well as investments through commingled funds.

The Marketable Alternative Strategies portfolio includes investments in commingled funds whose managers employ discrete and blended strategies, including long/short equity, absolute return, market neutral, distressed and credit strategies. Funds with marketable alternative strategies generally hold securities or other financial instruments for which a ready market exists, and may include stocks, bonds, put or call options, swaps, futures, currency hedges, and other financial instruments.

Dartmouth also invests in venture capital, private equity, real estate, other real assets, and other debt related strategies through private limited partnerships, which are illiquid. These investments often require the estimation of fair value by the general partner in the absence of readily determinable market values. The private portfolio is based primarily in the United States but includes managers who may invest globally. Real Estate investments also include real estate investment trust securities held through publically traded mutual funds as well as directly held real estate. Other real asset investments, in addition to natural resource limited partnerships, include an exchange traded fund with underlying exposure to commodities.

The following table sets forth the fair value of Dartmouth's derivative instruments by contract type as of June 30, 2014 and gains/losses related to derivative activities for the year ended June 30, 2014 (in thousands):

| | Notional Exposure | | Fair Value[1] | | |
|---|---|---|---|---|---|
| | Long | Short | Asset | Liability | Net Gain/Loss[2] |
| Foreign currency forward contracts | $ 46,175 | $ (27,290 ) | $ 327 | $ (581 ) | $ (456 ) |
| Fixed income futures contracts | 25,776 | (67,458 ) | 98 | (71 ) | (712 ) |
| Interest rate swaps | - | - | - | - | 170 |
| Credit default swaps | 8,421 | (8,445 ) | 58 | (980 ) | (436 ) |
| Total | $ 80,372 | $ (103,193 ) | $ 483 | $ (1,632 ) | $ (1,434 ) |

[1] The net fair value of these derivative instruments is included in the Statement of Financial Position as investments at fair value.
[2] The net gain/loss from these derivative instruments is presented in the operating and non-operating sections of the Statement of Activities as other operating income and other non-operating changes.

From time to time Dartmouth enters into foreign currency forward contracts and government bond futures and forwards to efficiently manage portfolio exposures to global currencies and interest rates. These instruments may be used to hedge the portfolio from unwanted currency and interest rate risk, but also to efficiently implement active duration and relative value currency strategies. Dartmouth 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, 2014 and 2013, the fair value of Dartmouth's pledged collateral on futures contracts for investment purposes was $426,000 and $965,000 respectively and is included in investments on the Statement of Financial Position. At June 30, 2013, Dartmouth held forward contracts to buy foreign currencies in the amount of $12,554,000 and to sell foreign currencies in the amount of $7,482,000. The difference between the estimated notional value of open futures contracts to sell and purchase securities was a net long position of $18,551,000 as of June 30, 2013.

From time to time Dartmouth enters into swap contracts for investment purposes. Interest rate swap contracts are used to efficiently manage portfolio exposures to interest rates. These instruments may be used to hedge the portfolio from unwanted interest rate risk, but also to efficiently implement active duration strategies. The notional amount of contracts that pay based on fixed rates and receive based on variable rates was $15,100,000 at June 30, 2013. The fair value of the contracts at June 30, 2013 was $274,000 and is included in the Statement of Financial Position as investments at fair value. The gain on these contracts was $274,000 and is presented in the operating and non-operating sections of the Statement of Activities for June 30, 2013.

Credit default swaps are used to simulate long or short positions or to reduce credit risk where exposure exists. The buyer of a credit default swap is obligated to pay to the seller a periodic stream of payments over the term of the contract in return for a contingent payment upon occurrence of a contracted credit event. The seller of a credit default swap bears the obligation to pay the buyer upon occurrence of a contracted credit event in return for a periodic stream of fixed payments from the buyer over the term of the contract. As of June 30, 2013, the total notional amount of credit default swap contracts for protection purchased was $9,529,000 and the notional amount related to protection sold was $3,247,000. The fair value of the buy contracts at June 30, 2013 was approximately ($67,000) and the sell contracts was ($217,000) and are included in the Statement of Financial Position as investments at fair value. At June 30, 2013, the loss on the buy contracts was $34,000 and loss on the sell contracts was $107,000 and are presented in the operating and non-operating sections of the Statement of Activities.

## E. Endowment

The changes in 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, June 30, 2013 | $ 894,595 | $ 1,854,632 | $ 984,369 | $ 3,733,596 |
| Investment return: | | | | |
| Investment income | 7,224 | 23,949 | - | 31,173 |
| Net gain in fair value: | | | | |
| Realized | 67,381 | 218,790 | - | 286,171 |
| Unrealized | 108,417 | 350,097 | 1,595 | 460,109 |
| Total investment return | 183,022 | 592,836 | 1,595 | 777,453 |
| Gifts | 53 | 7,779 | 135,624 | 143,456 |
| Distribution of endowment return to all funds | (43,940 ) | (144,606 ) | - | (188,546 ) |
| Other changes, net | 2,921 | (3,446 ) | 2,785 | 2,260 |
| **Endowment net assets, June 30, 2014** | $ 1,036,651 | $ 2,307,195 | $ 1,124,373 | $ 4,468,219 |

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Endowment net assets, June 30, 2012 | $ 833,511 | $ 1,700,362 | $ 952,511 | $ 3,486,384 |
| Investment return: | | | | |
| Investment income | 7,432 | 24,078 | - | 31,510 |
| Net gain in fair value: | | | | |
| Realized | 63,875 | 201,499 | - | 265,374 |
| Unrealized | 25,848 | 80,972 | 1,058 | 107,878 |
| Total investment return | 97,155 | 306,549 | 1,058 | 404,762 |
| Gifts | 30 | 811 | 27,206 | 28,047 |
| Distribution of endowment return to all funds | (43,979 ) | (141,499 ) | - | (185,478 ) |
| Other changes, net | 7,878 | (11,591 ) | 3,594 | (119 ) |
| **Endowment net assets, June 30, 2013** | $ 894,595 | $ 1,854,632 | $ 984,369 | $ 3,733,596 |

Other changes include additions to the endowment from the maturity of split-interest agreements and net transfers resulting from changes in donor restrictions or Dartmouth 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 $1,927,893,000 and $1,536,709,000 at June 30, 2014 and 2013, respectively.

Endowment net assets consist of the following as of June 30, 2014 (in thousands):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ - | $ 2,225,159 | $ 1,124,373 | $ 3,349,532 |
| Board-designated endowment funds | 1,036,651 | 82,036 | - | 1,118,687 |
| Total endowment net assets | $ 1,036,651 | $ 2,307,195 | $ 1,124,373 | $ 4,468,219 |

Endowment net assets consist of the following as of June 30, 2013 (in thousands):

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| Donor-restricted endowment funds | $ (12) | $ 1,783,681 | $ 984,369 | $ 2,768,038 |
| Board-designated endowment funds | 894,607 | 70,951 | - | 965,558 |
| Total endowment net assets | $ 894,595 | $ 1,854,632 | $ 984,369 | $ 3,733,596 |

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 $0 and ($12,000) as of June 30, 2014 and 2013, 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, except in cases where the donor directs otherwise.

Dartmouth 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 Board approves the formula that determines the amount appropriated from endowment each year. The resulting FY14 endowment distribution of $188,546,000 represents a 5.0% distribution rate when measured against the previous year's June 30th endowment market value. 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 real (inflation-adjusted) returns net of investment expenses sufficient to support Dartmouth's current operating needs while maintaining the long-term purchasing power of the endowment. Historical averages indicate that an annual return between 8% - 10% is needed to meet this goal. 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. Dartmouth 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 and liquidity.

## F. Land, Buildings, Equipment, and Construction in Progress

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

| | 2014 | 2013 |
|---|---|---|
| Land | $ 19,158 | $ 19,082 |
| Buildings | 1,147,098 | 1,124,809 |
| Land improvements | 109,407 | 109,087 |
| Equipment and software | 292,518 | 281,520 |
| Land, buildings, and equipment | $ 1,568,181 | $ 1,534,498 |
| *Less*: accumulated depreciation | (708,562) | (659,012) |
| Construction in progress | 95,912 | 68,841 |
| **Total net book value** | $ 955,531 | $ 944,327 |

Dartmouth 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 liability was initially recorded at fair value, and is adjusted for accretion expense, and changes in the amount or timing of cash flows. The corresponding asset retirement costs are capitalized as part of the carrying values of the related long-lived assets and depreciated over the useful lives of the assets.

## G. Bonds, Mortgages, and Notes Payable

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

| | Fiscal Year Maturity | Interest Rate | 2014 | 2013 |
|---|---|---|---|---|
| New Hampshire Health and Education Facilities Authority (NHHEFA): | | | | |
| Tax-Exempt Fixed Rate: | | | | |
| Series 2009 | 2019 – 2039 | 3.30% - 4.77% | $ 198,875 | $ 198,875 |
| Tax-Exempt Variable Rate: | | | | |
| Series 2002 | 2032 | .03% - .14% | 101,000 | 101,000 |
| Series 2003 | 2023 | .03% - .11% | 76,600 | 83,700 |
| Series 2007A | 2031 | .01% - .11% | 89,710 | 89,755 |
| Series 2007B | 2041 | .01% - .11% | 75,000 | 75,000 |
| **Subtotal tax-exempt bonds** | | | $ 541,185 | $ 548,330 |
| Taxable Bonds: | | | | |
| NHHEFA Variable Rate: | | | | |
| Series 2007C | 2041 | .06% - .12% | 30,000 | 30,000 |
| Fixed Rate | | | | |
| Series 2009 | 2019 | 4.75% | 250,000 | 250,000 |
| Series 2012A | 2042 | 4.00% | 70,000 | 70,000 |
| Series 2012B | 2043 | 3.76% | 150,000 | 150,000 |
| **Subtotal taxable bonds** | | | $ 500,000 | $ 500,000 |
| **Subtotal bonds** | | | $ 1,041,185 | $ 1,048,330 |
| Mortgages on real estate investments: | | | | |
| Fixed Rate | 2017 - 2037 | 4.34% - 5.61% | 49,003 | 50,317 |
| Taxable commercial paper note: | | | | |
| Variable Rate | | .11% to .13% | 18,900 | 23,900 |
| **Subtotal bonds, mortgages and notes payable** | | | $ 1,109,088 | $ 1,122,547 |
| Original issue premium, net | | | 4,245 | 4,240 |
| **Total bonds, mortgages, and notes payable, net** | | | $ 1,113,333 | $ 1,126,787 |

Included in interest and amortization presented on the Statement of Operating Expenses is interest expense on debt (including payments on interest rate swap agreements) used to finance facilities projects of $24,462,000 and $24,324,000, and on other operating indebtedness of $154,000 and $152,000 for the years ended June 30, 2014 and 2013, respectively. In addition, interest paid on debt used to finance facilities projects of $199,000 and $464,000 was capitalized in connection with various construction projects for the years ended June 30, 2014 and 2013, respectively.

Interest expense on debt used to finance student loans totaled $1,406,000 and $1,406,000 for the years ended June 30, 2014 and 2013, 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 $23,297,000 and $23,460,000 for the years ended June 30, 2014 and 2013, 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 $2,664,000 and $2,625,000 for the years ended June 30, 2014 and 2013, respectively, and is presented as a deduction in endowment net investment return in the Statement of Activities. Total interest expense included in the Statement of Activities is $51,983,000 and $51,967,000 for the years ended June 30, 2014 and 2013, respectively.

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 |
|---|---|
| 2015 | $ 27,781 |
| 2016 | 9,154 |
| 2017 | 27,627 |
| 2018 | 9,909 |
| 2019 | 268,208 |
| Thereafter | 766,409 |
| Total | $ 1,109,088 |

Principal due after June 30, 2019, includes the following "balloon" payments due on Dartmouth's indebtedness (in thousands):

| June 30 | Indebtedness | Payment |
|---|---|---|
| 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 Series 2009 bonds | $ 138,765 |
| 2041 | NHHEFA Series 2007B bonds | $ 57,000 |
| 2041 | NHHEFA Series 2007C bonds | $ 30,000 |
| 2042 | 2012 Series A bonds | $ 70,000 |
| 2043 | 2012 Series B bonds | $ 150,000 |

The estimated fair value of the bonds was approximately $1,095,409,000 and $1,070,035,000 as of June 30, 2014 and 2013, respectively. The fair value for fixed-rate debt is based on estimates of the prevailing market yield and resulting price for each maturity of debt. The market yield is impacted by several factors including credit, length of maturity, coupon, and optional redemption provisions. Variable rate debt is valued at par since the rate is reset frequently and the bonds are puttable by the investor and callable by the borrower at any time. Dartmouth considers this to be a Level 2 measurement.

The NHHEFA bonds are a general obligation collateralized only by Dartmouth's pledge of full faith and credit 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. Dartmouth has agreed to certain covenants with respect to encumbrance or disposition of its core campus.

During fiscal year 2009, Dartmouth entered into six interest rate swap agreements. Information related to these interest rate swap agreements as of June 30, 2014, including the fixed interest rate paid by Dartmouth 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 | $ 31,930 | 3.77 | 72 |
| 06/01/2028 | $ 52,660 | 3.78 | 72 |
| 06/01/2042 | $ 100,000 | 3.73 | 70 |
| 06/01/2043 | $ 165,000 | 3.74 | 70 |

The fair value of these agreements at June 30, 2014 and 2013, based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately $141,219,000 and $133,222,000, respectively, and is considered a Level 2 measurement. The increase of $7,997,000 in the liability for the year ended June 30, 2014 is presented as an unrealized loss and the decrease of $83,084,000 in the liability for the year ended June 30, 2013 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.

Dartmouth maintains stand-by bond purchase agreements with financial institutions totaling approximately $372,300,000 to provide alternative liquidity to support its variable rate demand bonds in the event that the bonds cannot be remarketed. Financing obtained through these stand-by credit agreements to fund the repurchase of such bonds would bear interest rates different from those associated with the original bond issues, and mature over a three or a five year period following repurchase. The agreements have various maturity dates between August 2014 and December 2016. There were no amounts outstanding at June 30, 2014 and 2013 under these agreements.

Dartmouth has a $75,000,000 line of credit with a maturity date of December 29, 2014. There have been no borrowings under this line of credit.

## H. 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):

| | 2014 | 2013 |
|---|---|---|
| Retirement and postretirement benefits | $ 358,284 | $ 242,222 |
| Compensated absences, severance plans, and other commitments | 20,244 | 18,518 |
| Self-insured benefits | 11,862 | 11,710 |
| **Total employment related obligations** | $ 390,390 | $ 272,450 |

In fiscal year 1998, Dartmouth 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 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.

Dartmouth's postretirement medical benefits consist of medical insurance coverage for retirees. Employees hired prior to July 1, 2009 that are 55 or older and have at least ten continuous years of service in a benefits-eligible position immediately prior to retirement are currently eligible for a subsidy toward the purchase of Retiree Medical Benefits. The subsidy amount was based on the employee's annual salary, age, and years of service as of June 30, 2009. For retirees under the age of 65, the medical insurance options are the same as for active employees. At age 65, the retiree would enroll in the Dartmouth College Medicare Supplement (DCMS) plan. New employees hired on or after July 1, 2009 are eligible to participate in a Retirement Savings Match and are eligible to purchase the retiree group medical insurance at full cost if they qualify at retirement.

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

| | Pension Benefits | | Postretirement Benefits | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Change in benefit obligation:** | | | | |
| Beginning of year | $ 120,696 | $ 120,920 | $ 226,449 | $ 274,684 |
| Service cost | 2,538 | 2,708 | 5,423 | 7,809 |
| Interest cost | 5,558 | 5,059 | 12,174 | 13,435 |
| Benefits paid | (7,681 ) | (6,261 ) | (5,364 ) | (4,209 ) |
| Actuarial (gain)/loss | 13,105 | (1,730 ) | 97,881 | (65,270 ) |
| End of year | $ 134,216 | $ 120,696 | $ 336,563 | $ 226,449 |
| **Change in estimated fair value of plan assets:** | | | | |
| Beginning of year | $ 113,931 | $ 112,518 | $ - | $ - |
| Actual return on plan assets | 18,979 | 3,674 | - | - |
| Employer contributions | 2,000 | 4,000 | 5,364 | 4,209 |
| Benefits paid | (7,681 ) | (6,261 ) | (5,364 ) | (4,209 ) |
| End of year | $ 127,229 | $ 113,931 | $ - | $ - |
| **Funded status (plan assets less than benefits obligation)** | $ (6,987 ) | $ (6,765 ) | $ (336,563 ) | $ (226,449 ) |
| **Net periodic benefit (income) cost included the following:** | | | | |
| Service cost | $ 2,538 | $ 2,708 | $ 5,423 | $ 7,809 |
| Interest cost | 5,558 | 5,059 | 12,174 | 13,435 |
| Expected return on assets | (6,365 ) | (6,358 ) | - | - |
| Amortization of prior service cost (credit) | 240 | 240 | (7,644 ) | (7,644 ) |
| Recognized net actuarial loss | 2,364 | 3,218 | - | 3,127 |
| Net periodic benefit cost | $ 4,335 | $ 4,867 | $ 9,953 | $ 16,727 |
| **Weighted-average assumptions:** | | | | |
| Discount rate used to determine net periodic benefit cost | 4.80% | 4.40% | 5.45% | 4.95% |
| Expected return on plan assets | 6.50% | 6.80% | - | - |
| Rate of compensation increase | 3.00% | 3.00% | - | - |
| Discount rate used to determine benefit obligations | 4.30% | 4.80% | 4.70% | 5.45% |

The increase in the post-retirement benefit obligation is due to the change in discount rate presented above and the use of an updated mortality table which is reflected in the 2014 actuarial loss of $97,881,000.

The estimated net cost for the defined benefit plan that will be amortized into net periodic cost in fiscal 2015 is $2,532,000. The estimated net (income) for postretirement benefits that will be amortized into net periodic cost in fiscal 2015 is ($1,094,000).

The increase (decrease) in unrestricted net assets resulting from the change in pension and post-retirement benefit obligations consisted of the following (in thousands):

| | Pension Benefits | Post-retirement Benefits | Total 2014 | Total 2013 |
|---|---|---|---|---|
| Amounts recognized in non-operating activities: | | | | |
| Net actuarial gain (loss) | $ (491 ) | $ (97,881 ) | $ (98,372 ) | $ 64,317 |
| Amortization of gain | 2,364 | - | 2,364 | 6,345 |
| Amortization of prior service cost (credit) | 240 | (7,644 ) | (7,404 ) | (7,404) |
| Total non-operating gain (loss) | 2,113 | (105,525) | (103,412 ) | 63,258 |
| Amounts recognized in operating activities: | | | | |
| Net periodic benefit cost | (4,335 ) | (9,953 ) | (14,288 ) | (21,594 ) |
| Total gain (loss) | $ (2,222 ) | $ (115,478 ) | $ (117,700 ) | $ 41,664 |

The following table summarizes the defined benefit pension plan investments by their fair value hierarchy classification as of June 30, 2014 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 897 | $ - | $ - | $ 897 |
| Global equity | - | 32,345 | - | 32,345 |
| Fixed income[1] | - | 90,210 | - | 90,210 |
| Limited partnerships[2] | - | - | 3,777 | 3,777 |
| Total investments | $ 897 | $ 122,555 | $ 3,777 | $ 127,229 |

The following table summarizes the defined benefit pension plan investments by their fair value hierarchy classification as of June 30, 2013 (in thousands):

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash and cash equivalents | $ 649 | $ - | $ - | $ 649 |
| Global equity | - | 41,434 | - | 41,434 |
| Fixed income[1] | - | 67,936 | - | 67,936 |
| Limited partnerships[2] | - | - | 3,912 | 3,912 |
| Total investments | $ 649 | $ 109,370 | $ 3,912 | $ 113,931 |

[1] This category includes fixed income commingled funds and other financial instruments related to fixed income products.
[2] This category includes investments in venture capital, private equity, and other real asset private partnerships.

The following table presents activity for the fiscal year ended June 30, 2014 and 2013 for the defined benefit pension plan investments measured at fair value in Level 3 (in thousands):

| | Limited Partnerships |
|---|---|
| Balance as of June 30, 2013 | $ 3,912 |
| Acquisitions / purchases | 150 |
| Distributions / sales | (831 ) |
| Investment return | 570 |
| Change in unrealized losses on investments | (24 ) |
| Balance as of June 30, 2014 | $ 3,777 |

| | Limited Partnerships |
|---|---|
| Balance as of June 30, 2012 | $ 4,148 |
| Acquisitions / purchases | 173 |
| Distributions / sales | (853 ) |
| Investment return | 500 |
| Change in unrealized losses on investments | (56 ) |
| Balance as of June 30, 2013 | $ 3,912 |

The overall investment strategy of the defined benefit pension plan (the Plan) is to utilize an asset mix that is designed to meet the near and longer term benefit payment obligations of the Plan. Over time, the asset mix may include global equity and fixed income exposures. Global equity exposure is designed to capture the equity market performance of developed markets while fixed income exposure provides a predictable yield as well as a hedge against changing interest rates by holding corporate bonds and other financial instruments. Other types of investments may include private equity, venture capital, and other private real asset partnerships that employ different underlying strategies. Outside investment advisors are utilized to manage the Plan assets and are selected based on their investment style, philosophy, and past performance. Dartmouth's investment office is responsible for managing the asset allocation and investment risk management of the Plan.

Dartmouth makes annual contributions to maintain funding for the defined benefit plan on an actuarially recommended basis. Dartmouth currently expects to contribute between $2 million and $4 million to the defined benefit plan in fiscal year 2015.

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 |
|---|---|---|
| 2015 | $ 10,000 | $ 7,928 |
| 2016 | 9,400 | 8,808 |
| 2017 | 9,300 | 9,837 |
| 2018 | 9,600 | 11,063 |
| 2019 | 9,600 | 13,490 |
| Years 2020 -2023 | 46,900 | 85,217 |

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 7.1% and 7.0% in year 2015, decrease gradually to 5% and 5% in fiscal year 2023 and 2023, respectively, and remain level thereafter. Dartmouth'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 | $ 5,182 | $ (4,003) |
| Increase (decrease) in postretirement benefit obligation | $ 64,734 | $ (50,728) |

Dartmouth also maintains defined contribution retirement plans for its employees. These benefits are individually funded and are subject to various vesting requirements. Under these arrangements, Dartmouth makes monthly contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2014 and 2013 were $23,967,000 and $24,721,000, respectively. Dartmouth also maintains deferred compensation plans. The liabilities for the plans are included in pension and other employment related obligations in the Statement of Financial Position.

## I. Other Operating Income

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

| | 2014 | 2013 |
|---|---|---|
| Medical School clinical services and other support | $ 55,244 | $ 51,304 |
| Foreign study and continuing education programs | 13,317 | 13,244 |
| Student activities and other program revenues | 11,037 | 11,011 |
| Athletics revenues | 4,387 | 4,523 |
| Hopkins Center and Hood Museum revenues | 1,525 | 1,838 |
| Other revenues | 17,444 | 16,084 |
| Investment income | 49,602 | 33,741 |
| **Total other operating income** | $ 152,556 | $ 131,745 |

## J. Net Assets

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

| | **2014** | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Detail of net assets**: | | | | |
| Operating funds | $ 351,467 | $ 79,736 | $ - | $ 431,203 |
| Pledges | - | 81,460 | 15,798 | 97,258 |
| Postretirement and pension benefit obligations | (343,550 ) | - | - | (343,550 ) |
| Third-party charitable trusts | - | 6,096 | 3,816 | 9,912 |
| Facilities and capital | 425,180 | 23,807 | - | 448,987 |
| Interest rate swap agreements | (141,219 ) | - | - | (141,219 ) |
| Student loan funds | 21,434 | 21,913 | - | 43,347 |
| Life income, annuity, and similar funds | - | 41,785 | 36,008 | 77,793 |
| Endowment funds | 1,036,651 | 2,307,195 | 1,124,373 | 4,468,219 |
| **Total net assets** | $ 1,349,963 | $ 2,561,992 | $ 1,179,995 | $ 5,091,950 |

| | **2013** | | | |
|---|---|---|---|---|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| **Detail of net assets**: | | | | |
| Operating funds | $ 348,479 | $ 77,312 | $ - | $ 425,791 |
| Pledges | - | 69,681 | 25,030 | 94,711 |
| Postretirement and pension benefit obligations | (233,214 ) | - | - | (233,214 ) |
| Third-party charitable trusts | - | 7,135 | 6,048 | 13,183 |
| Facilities and capital | 368,247 | 30,229 | - | 398,476 |
| Interest rate swap agreements | (133,222 ) | - | - | (133,222 ) |
| Student loan funds | 13,842 | 28,399 | - | 42,241 |
| Life income, annuity, and similar funds | - | 34,120 | 36,008 | 70,128 |
| Endowment funds | 894,595 | 1,854,632 | 984,369 | 3,733,596 |
| **Total net assets** | $ 1,258,727 | $ 2,101,508 | $ 1,051,455 | $ 4,411,690 |

**K. Commitments and Contingencies**

Outstanding commitments on uncompleted construction contracts total $36,762,000 at June 30, 2014.

All funds expended by Dartmouth 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 Dartmouth's financial position.

In conducting its activities, Dartmouth 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 favorable effect on Dartmouth's financial position.

**L. Related Party Transactions**

Members of Dartmouth's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with Dartmouth. Dartmouth has a written conflict of interest policy that requires annual reporting by each Trustee, as well as senior management. Additionally, Dartmouth has a policy on Pecuniary Benefit Transactions and Related Party Investments. This policy supplements the Dartmouth College Conflict of Interest Policy with regard to pecuniary benefit transactions, as defined by New Hampshire law, including but not limited to Dartmouth's investment in investment vehicles in which Trustees have a financial interest. These policies include, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of Dartmouth, and in accordance with applicable conflict of interest laws.

**M. Subsequent Events**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2014 and through October 20, 2014, the date on which the financial statements were issued, and has concluded that there were no subsequent events requiring adjustment or disclosure.