DARTMOUTH COLLEGE

Financial Statements

2015 - 2016

pwc

Report of the Independent Auditors

To the Board and Trustees of Dartmouth College:

We have audited the accompanying consolidated financial statements of Dartmouth College ("Dartmouth"), which comprise the consolidated statements of financial position as of June 30, 2016 and 2015 and the related consolidated statement of activities for the year ended June 30, 2016, and statements of cash flows for the years ended June 30, 2016 and 2015.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 Dartmouth'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 Dartmouth'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, 2016 and 2015 and the changes in their net assets for the year ended June 30, 2016 and their cash flows for the years ended June 30, 2016 and 2015 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended (not presented herein), and in our report dated October 19, 2015, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2015 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 25, 2016

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Consolidated Statement of Financial Position

As of June 30, 2016, with comparative information as of June 30, 2015
(in thousands)

	2016	2015
Assets		
Cash and cash equivalents	$ 207,932	$ 289,137
Receivables and other assets, net	143,976	143,339
Investment related receivables	51,484	9,157
Pledges receivable, net	211,455	164,368
Investments	5,697,656	5,704,691
Land, buildings, equipment, and construction in progress, net	954,922	968,902
Total assets	$ 7,267,425	$ 7,279,594
Liabilities		
Accounts payable and other liabilities	$ 99,860	$ 66,090
Investment related payables	85,833	30,627
Deferred revenues and deposits	41,048	43,298
Liability for split-interest agreements	49,527	49,894
Pension and other employment related obligations	420,710	451,354
Bonds, mortgages, and notes payable, net	1,247,984	1,098,157
Interest rate swap liabilities, at fair value	250,321	167,417
Conditional asset retirement obligations	24,522	23,804
Government advances for student loans	20,660	20,492
Total liabilities	2,240,465	1,951,133
Net Assets		
Unrestricted	1,104,557	1,312,188
Temporarily restricted	2,570,506	2,772,958
Permanently restricted	1,351,897	1,243,315
Total net assets	5,026,960	5,328,461
Total liabilities and net assets	$ 7,267,425	$ 7,279,594

See accompanying notes to the financial statements.

Consolidated Statement of Activities

For the year ended June 30, 2016, with summarized financial information for the year ended June 30, 2015
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Endowment Activities					
Gifts	$ 63	$ 2,327	$ 68,966	$ 71,356	$ 46,029
Net investment return	(23,048)	(76,301)	(200)	(99,549)	349,917
Distributed for spending	(48,243)	(160,335)	(55)	(208,633)	(214,225)
Other changes	(2,195)	1,609	5,382	4,796	814
Amounts transferred (to) from other funds, net	5,758	4,677	32,508	42,943	12,737
Change in net assets from endowment activities	(67,665)	(228,023)	106,601	(189,087)	195,272
Operating Activities					
Revenues					
Tuition and fees	340,979	-	-	340,979	326,580
Student scholarships	(141,713)	-	-	(141,713)	(129,186)
Net tuition and fees	199,266	-	-	199,266	197,394
Sponsored research grants and contracts	183,083	-	-	183,083	182,118
Dartmouth College Fund and other gifts	76,288	10,863	-	87,151	84,833
Distributed endowment investment return	200,640	6,304	-	206,944	212,493
Other operating income	106,825	207	-	107,032	125,064
Auxiliaries	76,089	-	-	76,089	74,345
Net assets released from restrictions	21,331	(21,331)	-	-	-
Total revenues	863,522	(3,957)	-	859,565	876,247
Expenses					
Academic and student programs	592,068	-	-	592,068	568,685
Sponsored programs	133,016	-	-	133,016	136,150
General institutional services	107,229	-	-	107,229	101,125
Auxiliaries	85,798	-	-	85,798	85,468
Subtotal expenses for ongoing operations	918,111	-	-	918,111	891,428
Change in net assets from ongoing operations	(54,589)	(3,957)	-	(58,546)	(15,181)
Restructuring expenses	53,459	-	-	53,459	-
Change in net assets from operating activities	(108,048)	(3,957)	-	(112,005)	(15,181)
Non-operating Activities					
Gifts	-	65,713	416	66,129	86,185
Other non-operating changes, net	(4,746)	3,177	-	(1,569)	(2,543)
Loss on extinguishment of debt	(31,732)	-	-	(31,732)	-
Distributed endowment investment return	371	1,318	-	1,689	1,731
Increase/decrease in outstanding pledges	-	39,179	7,908	47,087	67,110
Pension and postretirement benefit related changes other than net periodic benefit costs	69,052	-	-	69,052	(40,739)
Disposals and non-capitalized expenditures	(6,794)	(386)	-	(7,180)	(5,810)
Change in unrealized gain (loss) related to interest rate swap agreements	(82,904)	-	-	(82,904)	(26,198)
Net assets released from restrictions	34,457	(34,457)	-	-	-
Amounts transferred (to) from endowment, net	(7,463)	(35,480)		(42,943)	(12,737)
Net change in split-interest agreements	(2,159)	(9,536)	(6,343)	(18,038)	(10,579)
Change in net assets from non-operating activities	(31,918)	29,528	1,981	(409)	56,420
Change in net assets	(207,631)	(202,452)	108,582	(301,501)	236,511
Net Assets, beginning of year	1,312,188	2,772,958	1,243,315	5,328,461	5,091,950
Net Assets, end of year	$ 1,104,557	$ 2,570,506	$ 1,351,897	$ 5,026,960	$ 5,328,461

See accompanying notes to the financial statements.

Dartmouth College

Consolidated Statement of Operating Expenses

For the year ended June 30, 2016, with summarized financial information for the year ended June 30, 2015
(in thousands)

			General Institutional Services					Total Expenses	
	Academic & Student Programs	Sponsored Programs	Administrative Support	Facilities Operation & Maintenance	Development	Total	Auxiliaries	2016	2015
Salaries and wages	$ 244,537	$ 60,849	$ 28,981	$ 19,140	$ 22,494	$ 70,615	$ 14,961	$ 390,962	$ 382,443
Employee benefits	105,535	15,236	11,461	7,569	8,895	27,925	5,917	154,613	135,622
Fellowships and student support	11,709	3,659	-	-	-	-	553	15,921	15,852
Materials, equipment, and supplies	38,098	9,896	8,247	2,271	2,214	12,732	17,292	78,018	74,892
Purchased services	39,656	39,379	5,853	2,546	4,509	12,908	10,455	102,398	116,358
Utilities, taxes, and occupancy	-	-	-	37,227	-	37,227	8,345	45,572	48,091
Depreciation and amortization	47,214	-	4,247	5,037	292	9,576	9,792	66,582	60,546
Lodging, travel, and similar costs	23,028	3,567	997	90	1,882	2,969	175	29,739	27,674
Interest	-	-	-	25,704	-	25,704	1,414	27,118	24,512
Other expenses	4,707	430	1,301	242	453	1,996	55	7,188	5,438
	514,484	133,016	61,087	99,826	40,739	201,652	68,959	918,111	891,428
Facilities operation & maintenance	77,584	-	5,313	(99,826)	90	(94,423)	16,839	0	
Total expenses for FY16	$ 592,068	$ 133,016	$ 66,400	$ -	$ 40,829	$ 107,229	$ 85,798	$ 918,111	
Total expenses for FY15	$ 568,685	$ 136,150	$ 61,565	$ -	$ 39,560	$ 101,125	$ 85,468		$ 891,428

See accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended June 30, 2016, with comparative information for the year ended June 30, 2015
(in thousands)

	2016	2015
Cash flows from operating activities		
Total change in net assets	$ (301,501)	$ 236,511
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation and amortization	67,326	60,989
Change in estimated value of interest rate swap agreements	82,904	26,198
Change in estimated pension and post-retirement benefit obligation	(45,198)	56,743
Net change in split-interest liability	(367)	(1,982)
Change in pledges receivable, net	(47,087)	(67,110)
Other non-cash transactions	1,025	(532)
Contributions, investment income, and other changes restricted for long-term investment	(130,870)	(80,390)
Net realized and unrealized (gains) losses	119,262	(330,960)
Changes in operating assets and liabilities:		
Receivables and other assets, net	(1,003)	4,415
Accounts payable and other liabilities	33,072	(5,516)
Deferred revenues and deposits	(2,250)	2,557
Employment related obligations	14,554	4,221
Net cash used in operating activities	(210,133)	(94,856)
Cash flows from investing activities		
Student loans granted	(11,767)	(8,242)
Student loans repaid	11,076	12,902
Purchases of land, buildings, and equipment	(51,888)	(74,518)
Net change in unsettled trades	12,879	13,785
Purchases of investments	(4,861,252)	(5,814,372)
Sales and maturities of investments	4,749,025	5,988,429
Net cash provided by (used in) investing activities	(151,927)	117,984
Cash flows from financing activities		
Proceeds from issuance of debt	642,065	-
Repayment of debt	(492,248)	(15,181)
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	47,375	27,473
Endowment, life income, and similar funds	83,495	52,918
Changes in government advances for student loans	168	49
Net cash provided by financing activities	280,855	65,259
Net change in cash and cash equivalents	(81,205)	88,387
Cash and cash equivalents, beginning of year	289,137	200,750
Cash and cash equivalents, end of year	$ 207,932	$ 289,137
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 63,470	$ 53,273
Accounts payable related building and equipment additions	$ 1,416	$ 266
Contributed securities received	$ 46,055	$ 52,092

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 2,000 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 consolidated 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 Hanover, NH area; the Dartmouth Education Loan Corporation (DELC), which provides scholarships and loans to Dartmouth students who are unable to finance their education through other sources; and various separately incorporated entities which support experiential learning and other 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 2016 consolidated 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 consolidated financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2016 presentation.

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in these consolidated financial statements are the fair value of investments, interest rate swap agreements, 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.

Recent Accounting Pronouncements

In fiscal 2015, Dartmouth adopted ASU 2015-07, Disclosures for Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), which removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using net asset value per share as the practical expedient.

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, which addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The ASU is effective for Dartmouth's fiscal 2020; however, as permitted by the ASU, Dartmouth has chosen to early adopt the provision to eliminate the requirement to disclose the fair value of financial instruments measured at cost (such as the fair value of debt). Dartmouth is evaluating the impact of the remainder of the new guidance on the consolidated financial statements.

The adoption of ASU 2015-07 and the provision of ASU 2016-01 did not have a material effect on Dartmouth's consolidated financial statements.

Consolidated Statement of Activities

Operating activities presented in the consolidated 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. Amortization expense of capitalized information technology costs is allocated to the functional classification that the technology supports. 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 consolidated Statement of Activities consist of gifts for facilities projects and gifts whose purpose has not yet been finalized, 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 consolidated 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 and is considered Level 1 in the fair value hierarchy.

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 for the years ended June 30, 2016 and 2015. Student scholarships provided by Dartmouth are presented in the consolidated 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 $4,089,000 and $5,921,000 for the years ended June 30, 2016 and 2015, respectively, which are not presented in the consolidated Statement of Activities.

In fiscal 2016, Dartmouth admitted students to its undergraduate program without regard to financial need. Beginning with the undergraduate class that will matriculate in fiscal 2017, Dartmouth plans to consider the financial need of international students during the admissions process. 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, 2017. Dartmouth recovered facilities and administrative costs of approximately $42,354,000 and $42,121,000 during the years ended June 30, 2016 and 2015, 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, 2016, tax years ended June 30, 2013 through June 30, 2015 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, 2016 and 2015, Dartmouth paid approximately $19.3 million and $25.3 million, respectively, and received approximately $24.0 million and $26.5 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 two 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 consolidated 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 consolidated 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 U.S. treasury securities with an original or remaining maturity of three months or less when purchased. These investments are valued based on market price or cost which approximates fair value. Advance contributions to commingled fund investments and redemptions receivable from commingled fund investments at June 30, 2016 and June 30, 2015 are included within Investments as presented on the consolidated 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 listed 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 private 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.

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 approximately 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 changes in unrealized gains and losses) earned by Dartmouth's endowment investments is included in endowment activities on the consolidated Statement of Activities, while the net income earned by the non-endowment investments is included in operating or non-operating activities, as appropriate, on the consolidated 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 on the date of distribution. 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. Fees charged by external investment managers are generally based on contractual percentages of the fair 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 $14,263,000 and $13,136,000 for the years ended June 30, 2016 and 2015, respectively, and have been netted against total investment return and other operating and non-operating income in the accompanying consolidated 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, sovereign, currency, liquidity, and credit risks. Additionally, investments in real assets through commingled funds 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 consists 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 and in accordance with purpose designated by the donor.

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 consolidated 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 consolidated 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 1.8% and 2.0% for June 30, 2016 and 2015, respectively, 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 Dartmouth 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 consolidated 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	13 - 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 consolidated Statement of Financial Position. Purchases of collection items are recorded in the consolidated 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 consolidated financial statements.

B. Receivables and Other Assets

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

	2016	2015
Student accounts	$ 493	$ 2,277
Sponsored research grants and contracts	18,048	22,003
Other accounts	41,687	38,277
Notes and student loans	64,831	64,140
Less: allowance for uncollectible accounts	(3,600)	(3,287)
Receivables, net	$ 121,459	$ 123,410
Prepaid costs, inventories, and other assets	22,517	19,929
Total receivables and other assets, net	$ 143,976	$ 143,339

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 consolidated 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):

	2016	2015
Gifts to support operations	$ 87,151	$ 84,833
Gifts for:		
Facilities and student loans	47,375	27,473
Other restricted uses	2,973	38,332
Endowment	71,356	46,029
Split-interest agreements	15,781	20,380
Total gifts and pledge payments	$ 224,636	$ 217,047

Unconditional pledges as of June 30 are expected to be realized in the following periods, discounted at rates ranging from 0.7% to 6.2% (in thousands):

	2016	2015
In one year or less	$ 74,074	$ 54,510
Between one year and five years	97,385	108,083
Six years and after	49,796	13,183
Gross pledges receivable	$ 221,255	$ 175,776
Less: present value discount	(7,955)	(6,915)
Less: allowance for uncollectible pledges	(1,845)	(4,493)
Pledges receivable, net	$ 211,455	$ 164,368

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

D. Investments

Dartmouth's endowment and other investment portfolios include investments in various asset classes, each with different return expectations, risk characteristics, and liquidity provisions.

Fixed Income 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. Exposures to these investments include directly held securities as well as investments through commingled funds and derivatives, including fixed income futures and forwards, and interest rate and credit default swaps.

Global Equity includes investments in directly held equity securities and commingled funds, whose managers primarily invest in global public long-only and long/short equity securities with portfolios that are directionally exposed to the market.

Marketable Alternative Strategies 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 primarily 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 publicly traded mutual funds as well as directly held real estate. Other real asset investments include limited partnerships, commingled fund and public index exposure targeting natural resource investments.

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

	2016	2015
Endowment investments	$ 4,538,696	$ 4,729,487
Split-interest agreement investments	130,237	133,448
Operating and other investments	1,028,723	841,756
Total investments	$ 5,697,656	$ 5,704,691

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 cash and cash equivalents, actively listed equities, U.S. 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 and derivatives.

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 directly held real estate and other illiquid investments.

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 Fair Value Leveling table summarizes Dartmouth's investments that are reported at fair value by their fair value hierarchy classification as of June 30, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 65,410	$ -	$ -	$ 65,410
Fixed income	492,876	222,410	79	715,365
Global equity:				
US equity	481,225	-	523	481,748
International	37,414	-	-	37,414
Emerging markets	40,971	-	-	40,971
Real assets:				
Real estate	18,460	-	199,253	217,713
Other real assets	71,466			71,466
Other investments	-	128	1,454	1,582
Contributions in advance	95,377	-	-	95,377
Redemption receivable	76,569	-		76,569
Total investments	$ 1,379,768	$ 222,538	$ 201,309	$ 1,803,615

The following Fair Value Leveling table summarizes Dartmouth's investments that are reported at fair value by their fair value hierarchy classification as of June 30, 2015 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	$ 259,514	$ -	$ -	$ 259,514
Fixed income	391,956	204,863	79	596,898
Global equity:				
US equity	521,312	-	523	521,835
International	18,130	-	-	18,130
Emerging markets	83,232	-	-	83,232
Real assets:				
Real estate	15,981	-	199,028	215,009
Other real assets	2	-	-	2
Other investments	-	122	1,728	1,850
Contribution in advance	32,000	-	-	32,000
Redemption receivable	109,301	-	-	109,301
Total investments	$ 1,431,428	$ 204,985	$ 201,358	$ 1,837,771

The following tables present Dartmouth's activity for the fiscal years ended June 30, 2016 and 2015 for investments measured at fair value in Level 3 (in thousands):

	Fixed Income	US Equity	Real Assets	Other Investments	Total
Balance as of June 30, 2015	$ 79	$ 523	$ 199,028	$ 1,728	$ 201,358
Acquisitions / purchases	-	-	667	8	675
Distributions / sales	-	-	(3,769)	(282)	(4,051)
Transfers out	-	-	-	-	-
Realized gain (loss)	-	-	185	-	185
Change in unrealized gain (loss)	-	-	3,142	-	3,142
Balance as of June 30, 2016	$ 79	$ 523	$ 199,253	$ 1,454	$ 201,309

	Fixed Income	US Equity	Real Assets	Other Investments	Total
Balance as of June 30, 2014	$ 458	$ 23	$ 203,084	$ 7,683	$ 211,248
Acquisitions / purchases	-	500	1,062	16	1,578
Distributions/sales			(2,069)	(4,824)	(6,893)
Transfers out	(318)	-	-	-	(318)
Realized gain (loss)	-	-	362	(1,147)	(785)
Change in unrealized gain (loss)	(61)	-	(3,411)	-	(3,472)
Balance as of June 30, 2015	$ 79	$ 523	$ 199,028	$ 1,728	$ 201,358

All net realized and unrealized gains (losses) in the table above are reflected in the consolidated Statement of Activities. Unrealized gains (losses) relate to investments held by Dartmouth at June 30, 2016 and 2015. Transfers between levels of the fair value hierarchy are reported at the beginning of the reporting period in which they occur. For fiscal year 2015, transfers from Level 3 to Level 2 are primarily due to the increased observability of pricing inputs for certain securities.

The following table provides quantitative information about the significant unobservable inputs used in the valuation of directly held real estate as of June 30, 2016 and June 30, 2015. Investments in directly held 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.

June 30, 2016 (in thousands):

Valuation Technique	Fair Value[1]	Unobservable Inputs	Input Value(s)
Third party appraisal-income approach & comparable sales	$ 179,878	Capitalization rate	4.00 – 8.50%
Market bid	16,450	Not applicable	Not applicable
Tax assessed value – adjusted annually	2,274	State/Local equalization ratios	.876
Cost	651	Not applicable	Not applicable
Total	$ 199,253		

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

June 30, 2015 (in thousands):

Valuation Technique	Fair Value[1]	Unobservable Inputs	Input Value(s)
Third party appraisal-income approach & comparable sales	$ 193,964	Capitalization rate Discount rate	6.50 – 9.00% 8.00
Tax assessed value – adjusted annually	4,438	State/Local equalization ratios	.900 - .983
Cost	626	Not applicable	Not applicable
Total	$ 199,028		

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

The following Fair Value NAV table lists specified investment terms by asset category for Dartmouth's interest in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient to estimate fair value as of June 30, 2016 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment	Remaining Life
Fixed income	$ 44,094	Monthly	30 - 40	$ -	Not applicable
Global equity:					
US equity[1]	637,179	Ranges from quarterly to bi-annual	30 – 90	35,000	Not applicable
International[2]	460,033	Ranges from semi-monthly to quarterly	3 – 180	-	Not applicable
Emerging markets[3]	219,226	Ranges from daily to quarterly	30 – 180	-	Not applicable
Marketable alternative strategies[4]	1,155,608	Ranges from quarterly to annually	30 – 90	54,342	Not applicable
Private equity/ Venture capital	874,207	Illiquid	Not applicable	548,887	1 - 12 years
Real assets:					
Real estate	259,974	Illiquid	Not applicable	183,787	1 - 12 years
Other real assets	243,720	Quarterly, Illiquid	30, Not applicable	219,068	1 - 20 years
Total	$ 3,894,041			$ 1,041,084	

[1] US equity includes funds that have restrictions on the ability to fully redeem up to three years.
[2] International includes one fund with partial capital in lockup through December 31, 2016.
[3] Emerging markets includes funds that have restrictions on the ability to fully redeem up to three years.
[4] 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 Fair Value NAV table lists specified investment terms by asset category for Dartmouth's interest in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient to estimate fair value as of June 30, 2015 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment	Remaining Life
Fixed income	$ 41,405	Monthly	30 - 40	$ -	Not applicable
Global equity:					
US equity[1]	689,016	Ranges from quarterly to bi-annual[1]	30 – 90	35,000	Not applicable
International	335,524	Ranges from monthly to quarterly	3 – 60	-	Not applicable
Emerging markets	151,097	Ranges from daily to annually	30 – 180	-	Not applicable
Marketable alternative strategies[2]	1,146,224	Ranges from quarterly to every three years[2]	30 – 180	-	Not applicable
Private equity/ Venture capital	999,865	Illiquid	Not applicable	393,297	1 - 12 years
Real assets:					
Real estate	314,892	Illiquid	Not applicable	166,405	1 - 12 years
Other real assets	188,897	Illiquid	Not applicable	196,910	1 - 20 years
Total	$ 3,866,920			$ 791,612	

[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.

Investments reported in the Fair Value Leveling and Fair Value NAV tables total $5,697,656,000 and $5,704,691,000 and are presented on the consolidated Statement of Financial Position as of June 30, 2016 and 2015, respectively.

The following tables set forth the fair value of Dartmouth's derivative instruments for investment purposes by contract type as of June 30, 2016 and 2015 and gains/losses related to derivative activities for the years ended June 30, 2016 and 2015 (in thousands):

June 30, 2016:

	Notional Exposure		Fair Value[1]		
	Long	Short	Asset	Liability	Net Gain/(Loss)[2]
Foreign currency forward contracts	$ 19,182	$ (11,115)	$ 143	$ (464)	$ 172
Fixed income futures contracts	72,754	(71,487)	1,309	(1,972)	(2,630)
Interest rate swaps	-	-	-	-	(19)
Credit default swaps	9,131	(9,101)	226	(332)	(115)
Total	$ 101,067	$ (91,703)	$ 1,678	$ (2,768)	$ (2,592)

June 30, 2015:

	Notional Exposure		Fair Value[1]		
	Long	Short	Asset	Liability	Net Gain/(Loss)[2]
Foreign currency forward contracts	$ 32,408	$ (16,672)	$ 248	$ (99)	$ 1,868
Fixed income futures contracts	56,277	(81,919)	412	(116)	(880)
Interest rate swaps	-	-	3	(3)	-
Credit default swaps	5,551	(10,421)	203	(728)	(152)
Total	$ 94,236	$ (109,012)	$ 866	$ (946)	$ 836

[1] The net fair value of these derivative instruments is included in the consolidated 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 consolidated Statement of Activities as other operating income and other non-operating changes.

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. These instruments are valued using market-based prices and are included in Level 2 in the Fair Value Leveling table. At June 30, 2016 and 2015, the fair value of Dartmouth's pledged collateral on futures contracts for investment purposes was $0 and $312,000 respectively and is included in investments on the consolidated Statement of Financial Position.

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. These instruments are valued using market-based prices and are included in Level 2 in the Fair Value Leveling table. The fair value of the contracts is included in the consolidated Statement of Financial Position as investments at fair value. The gain on these contracts is presented in the operating and non-operating sections of the consolidated Statement of Activities.

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. These instruments are valued using market-based prices and are included in Level 2 in the Fair Value Leveling table. The fair value of these credit default swap contracts is included in the consolidated Statement of Financial Position as investments at fair value. The net gain/loss on these credit default swap contracts is presented in the operating and non-operating sections of the consolidated 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, 2015	$ 1,075,885	$ 2,407,876	$ 1,179,730	$ 4,663,491
Net investment return:				
Investment income	5,481	17,521	46	23,048
Net appreciation (depreciation)	(28,529)	(93,822)	(246)	(122,597)
Total net investment return	(23,048)	(76,301)	(200)	(99,549)
Gifts	63	2,327	68,966	71,356
Distribution of endowment return to all funds	(48,243)	(160,335)	(55)	(208,633)
Other changes, net	3,563	6,286	37,890	47,739
Endowment net assets, June 30, 2016	$ 1,008,220	$ 2,179,853	$ 1,286,331	$ 4,474,404

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, June 30, 2014	$ 1,036,651	$ 2,307,195	$ 1,124,373	$ 4,468,219
Net investment return:				
Investment income	6,634	22,045	56	28,735
Net appreciation (depreciation)	73,410	247,127	645	321,182
Total net investment return	80,044	269,172	701	349,917
Gifts	141	1,929	43,959	46,029
Distribution of endowment return to all funds	(48,942)	(165,235)	(48)	(214,225)
Other changes, net	7,991	(5,185)	10,745	13,551
Endowment net assets, June 30, 2015	$ 1,075,885	$ 2,407,876	$ 1,179,730	$ 4,663,491

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 $1,815,710,000 and $2,027,492,000 at June 30, 2016 and 2015, respectively.

Endowment net assets consist of the following as of June 30, 2016 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,179,853	$ 1,286,331	$ 3,466,184
Board-designated endowment funds	1,008,220	-	-	1,008,220
Total endowment net assets	$ 1,008,220	$ 2,179,853	$ 1,286,331	$ 4,474,404

Endowment net assets consist of the following as of June 30, 2015 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 2,407,876	$ 1,179,730	$ 3,587,606
Board-designated endowment funds	1,075,885	-	-	1,075,885
Total endowment net assets	$ 1,075,885	$ 2,407,876	$ 1,179,730	$ 4,663,491

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 due to market declines. In accordance with GAAP, events of this nature are reported as reductions in unrestricted net assets and were $897,000 and $0 as of June 30, 2016 and 2015, 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, except in cases where the donor directs otherwise. In order to provide stable funding from the programs supported by the endowment, in fiscal 2017 Dartmouth's Board of Trustees voted to amend the distribution policy to allow spending from a portion of the historic book value on underwater funds provided there are no donor-imposed restrictions that prohibit such spending. No more than 20% of the historic book value may be distributed, 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 fiscal 2016 endowment distribution of $208,633,000 represents a 4.5% distribution rate when measured against the previous year's June 30th endowment 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. 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):

	2016	2015
Land	$ 19,158	$ 19,158
Buildings	1,283,309	1,175,416
Land improvements	114,498	112,339
Equipment and software	339,917	315,845
Land, buildings, and equipment	$ 1,756,882	$ 1,622,758
Less: accumulated depreciation	(835,201)	(768,809)
Construction in progress	33,241	114,953
Total net book value	$ 954,922	$ 968,902

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	2016 Interest Rate	2016	2015
New Hampshire Health and Education Facilities Authority (NHHEFA):				
Tax-Exempt Fixed Rate:				
Series 2009	2019 – 2039	5.00% - 5.25%	$ 52,800	$ 198,875
Tax-Exempt Variable Rate:				
Series 2002	2032	.01% - .08%	-	101,000
Series 2003	2023	.01% - .43%	61,600	69,200
Series 2007A	2031	.01% - .02%	-	89,665
Series 2007B	2041	.01% - .42%	75,000	75,000
Series 2015AB	2040	.50% - .85%	101,000	-
Series 2015CD	2038	.50% - .85%	89,665	-
Series 2016A	2043	1.14%	165,000	-
Subtotal tax-exempt bonds			$ 545,065	$ 533,740
Taxable Bonds:				
NHHEFA Variable Rate:				
Series 2007C	2041	.14% - .16%	-	30,000
Fixed Rate				
Series 2009	2019	4.75%	150,000	250,000
Series 2012A	2042	4.00%	70,000	70,000
Series 2012B	2043	3.76%	150,000	150,000
Series 2016A	2046	3.47%	250,000	-
Subtotal taxable bonds			$ 620,000	$ 500,000
Subtotal bonds			$ 1,165,065	$ 1,033,740
Mortgages on real estate investments:				
Fixed Rate	2017 - 2037	4.34% - 5.61%	46,065	47,568
Taxable commercial paper note:				
Variable Rate		.14% to .50%	36,300	12,600
Subtotal bonds, mortgages and notes payable			$ 1,247,430	$ 1,093,908
Original issue premium, net			554	4,249
Total bonds, mortgages, and notes payable, net			$ 1,247,984	$ 1,098,157

In August 2015, Dartmouth College refunded $101,000,000 NHHEFA Series 2002 and $89,700,000 NHHEFA Series 2007A variable rate demand bonds and replaced them with a floating rate direct placement of debt with a bank. The $30,000,000 NHHEFA Series 2007C taxable variable rate demand bonds were also refunded at the same time and replaced with taxable commercial paper notes.

In April 2016, Dartmouth issued New Hampshire Health and Education Facilities Authority (NHHEFA) Revenue Bonds Dartmouth College Issue, Series 2016A (the "Series 2016A Bonds") in the amount of $165,000,000. The primary purpose of this issue was to refinance $146,075,000 of the NHHEFA Series 2009 Bonds. The defeasance was achieved through the deposit of $165,000,000 of the proceeds of the Series 2016A Bonds along with $3,000,000 of institutional funds directly in a refunding trust and has been accounted for as legal defeasance. Accordingly, the defeased bonds and the assets in the defeasance trust were removed from the consolidated Statement of Financial Position in 2016. Future interest payments due to bondholders totaling $19,371,000 is included in loss on extinguishment of debt in the consolidated Statement of Activities. Monies in the defeasance trust have been applied to the purchase of noncancelable direct obligations of the United States government. The government obligations, together with the interest thereon, will be sufficient in amount and available when necessary to pay the principal and interest on the defeased Series 2009 Bonds when due or called.

In April 2016, Dartmouth redeemed $100,000,000 of the Series 2009 taxable bonds. Dartmouth incurred a $10,830,000 make-whole call premium on the early redemption, which is included in loss on extinguishment of debt in the consolidated Statement of Activities.

In April 2016, Dartmouth issued $250,000,000 of fixed rate taxable debt to be used for future strategic initiatives.

Interest expense for the years ended June 30 consists of (in thousands):

	2016	2015
Consolidated Statement of Activities:		
Endowment Activities		
Interest expense on mortgage and debt used to finance endowment-related real estate projects, presented as a reduction in endowment investment return	$ 2,618	$ 2,743
Operating Activities (amounts included in "Interest and Amortization" on the consolidated Statement of Operating Expenses)		
Interest expense on debt (including payments on interest rate swap agreements) used to finance facilities projects	25,708	24,603
Interest expense on other operating indebtedness	273	154
Non-Operating Activities (amounts presented as a deduction from other non-operating earnings)		
Interest expense on debt used to finance student loans	1,406	1,406
Interest expense on other non-operating indebtedness	21,533	22,126
Total interest expense on the consolidated Statement of Activities	$ 51,538	$ 51,032
Consolidated Statement of Financial Position:		
Interest paid on debt used to finance facilities projects capitalized in connection with various construction projects	$ 460	$ 1,214

Scheduled principal payments due for each of the next five years ending June 30 and thereafter are as follows, excluding maturity of commercial paper and unamortized discounts and premiums are (in thousands):

June 30	Principal Due
2017	$ 27,578
2018	9,854
2019	168,153
2020	10,616
Thereafter	994,929
Total	$ 1,211,130

Principal due after June 30, 2020, includes the following "balloon" payments due on Dartmouth's indebtedness (in thousands):

June 30	Indebtedness		Payment
2028	NHHEFA Series 2009 bonds	$	32,190
2029	NHHEFA Series 2009 bonds	$	12,690
2036	NHHEFA Series 2007B bonds	$	18,000
2038	2015 Series C&D bonds	$	89,665
2040	2015 Series A&B bonds	$	101,000
2041	NHHEFA Series 2007B bonds	$	57,000
2042	2012 Series A bonds	$	70,000
2043	2012 Series B bonds	$	150,000
2043	NHHEFA Series 2016A TE bonds	$	165,000
2046	2016 Series A bond	$	250,000

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, 2016, 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:

Expiration Date		Notional Amount (in thousands)	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	$	31,910	3.77	72
06/01/2028	$	52,585	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, 2016 and 2015 based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately $250,321,000 and $167,417,000, respectively, and is considered a Level 2 measurement. The increase in the liability of $82,904,000 and $26,198,000 for the years ended June 30, 2016 and 2015, respectively, is presented as a change in unrealized loss in the non-operating section of the consolidated 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.

Commercial paper consists of notes issued in the short-term taxable market, and is sold at a discount from par. The maturities of individual notes are issued in ranges from one day to no more than 270 days, and fall on average in a range of thirty to ninety days. Dartmouth reports commercial paper at carrying value, which closely approximates fair value for those liabilities.

Dartmouth maintains stand-by bond purchase agreements with financial institutions totaling approximately $136,600,000 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 June 2019 and December 2019. There were no amounts outstanding at June 30, 2016 and 2015 under these agreements.

Dartmouth has a $100,000,000 line of credit with a maturity date of December 15, 2016. 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):

	2016	2015
Retirement and postretirement benefits	$ 380,087	$ 418,113
Compensated absences, severance plans, and other commitments	28,456	21,907
Self-insured benefits	12,167	11,334
Total employment related obligations	$ 420,710	$ 451,354

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	
	2016	2015	2016	2015
Change in benefit obligation:				
Beginning of year	$ 132,431	$ 134,216	$ 396,179	$ 336,563
Service cost	2,573	2,785	8,733	8,327
Interest cost	5,579	5,557	19,010	15,633
Benefits paid	(7,736)	(8,100)	(8,072)	(6,568)
Actuarial (gain)/loss	10,852	(2,027)	(62,919)	42,224
End of year	$ 143,699	$ 132,431	$ 352,931	$ 396,179
Change in estimated fair value of plan assets:				
Beginning of year	$ 128,317	$ 127,229	$ -	$ -
Actual return on plan assets	16,954	5,188	-	-
Employer contributions	4,000	4,000	8,072	6,568
Benefits paid	(7,736)	(8,100)	(8,072)	(6,568)
End of year	$ 141,535	$ 128,317	$ -	$ -
Funded status (plan assets less than benefits obligation)	$ (2,164)	$ (4,114)	$ (352,931)	$ (396,179)
Net periodic benefit (income) cost included the following:				
Service cost	$ 2,573	$ 2,785	$ 8,733	$ 8,327
Interest cost	5,579	5,557	19,010	15,633
Expected return on assets	(7,086)	(7,170)	-	-
Amortization of prior service cost (credit)	240	240	(3,487)	(7,186)
Recognized net actuarial loss	967	2,293	9,397	6,093
Net periodic benefit cost	$ 2,273	$ 3,705	$ 33,653	$ 22,867

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Weighted-average assumptions:				
Discount rate used to determine net periodic benefit cost	4.40%	4.30%	4.85%	4.70%
Expected return on plan assets	6.10%	6.70%	-	-
Rate of compensation increase	3.00%	3.00%	-	-
Discount rate used to determine benefit obligations	3.68%	4.40%	4.15%	4.85%

The decrease in the post-retirement benefit obligation is primarily due to changes in pre-65 claims methodology and utilization assumptions, which are reflected in the 2016 actuarial gain of $62,919,000.

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	Postretirement Benefits	Total 2016	Total 2015
Amounts recognized in non-operating activities:				
Net actuarial gain(loss)	$ (984)	$ 62,919	$ 61,935	$ (42,179)
Amortization of gain	967	9,397	10,364	8,386
Amortization of prior service cost (credit)	240	(3,487)	(3,247)	(6,946)
Total non-operating gain (loss)	223	68,829	69,052	(40,739)
Amounts recognized in operating activities:				
Net periodic benefit cost	(2,273)	(33,653)	(35,926)	(26,571)
Total gain (loss)	$ (2,050)	$ 35,176	$ 33,126	$ (67,309)

The cumulative amounts in unrestricted net assets that have not yet been recognized as components of net periodic benefit cost are as follows (in thousands):

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
Prior service cost	$ -	$ 240	$ (4,951)	$ (8,438)
Net (gain) loss	14,148	14,131	60,047	132,362
Total	$ 14,148	$ 14,371	$ 55,096	$ 123,924

The estimated costs that will be amortized into net periodic benefit costs in fiscal 2017 are as follows (in thousands):

	Pension Benefits	Postretirement Benefits
Prior service cost	$ -	$ (3,486)
Net (gain) loss	1,252	2,073
Total	$ 1,252	$ (1,413)

The following table lists specified investment terms by asset category for defined benefit pension plan investments in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient as of June 30, 2016 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment	Remaining Life
Fixed income	$ 74,588	Daily	2	$ -	Not applicable
Global equity	63,337	Daily	2	-	Not applicable
Private equity/ Venture capital	2,433	Illiquid	Not applicable	388	1 – 5 years
Total	$ 140,358			$ 388	

In addition to the investments disclosed above, the Plan also holds $1,177,000 in cash and cash equivalents at June 30, 2016, which is classified as a Level 1 investment in the fair value hierarchy.

The following table lists specified investment terms by asset category for defined benefit pension plan investments in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient as of June 30, 2015 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment	Remaining Life
Fixed income	$ 54,590	Daily	2	$ -	Not applicable
Global equity	65,661	Daily	2	-	Not applicable
Private equity/ Venture capital	2,896	Illiquid	Not applicable	463	1 – 5 years
Total	$ 123,147			$ 463	

In addition to the investments disclosed above, the Plan also held $5,170,000 in cash and cash equivalents at June 30, 2015, which is classified as a Level 1 investment in the fair value hierarchy.

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 does not expect to contribute to the defined benefit plan in fiscal year 2017.

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
2017	$ 13,100	$ 8,500
2018	9,800	9,400
2019	9,800	10,400
2020	9,800	11,500
2021	10,100	12,600
Years 2022 -2026	46,400	76,900

The accumulated benefit obligation (ABO) of the defined benefit plan was $136,800,000 and $125,675,000 at June 30, 2016 and 2015, respectively.

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 6.75% and 7.5% in year 2016, decrease gradually to 5% and 5% in fiscal year 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	$ 4,854	$ (4,173)
Increase (decrease) in postretirement benefit obligation	$ 61,660	$ (62,961)

Through June 30, 2016, Dartmouth estimated the service and interest cost components for pension and post-retirement benefits using a single weighted average discount rate derived from the yield curves used to measure the benefit obligation at the beginning of the period. Effective July 1, 2016, Dartmouth will estimate the costs of the service and interest components through a full yield curve approach by applying the specific spot rates along the yield curve used in the determination of the net periodic expense to the relevant present value of projected cash flows. This change is a refinement to the correlation between projected benefit cash flows and the corresponding yield curve spot rates. Dartmouth has accounted for this change as a change in estimate and will account for it prospectively starting in fiscal 2017. The reduction in service and interest costs for fiscal 2017 associated with this change in estimate will be approximately $630,000 for pension benefits and $2,800,000 for post-retirement benefits.

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 contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2016 and 2015 were $26,060,000 and $25,170,000, respectively. Dartmouth also maintains deferred compensation plans. The liabilities for the plans are included in pension and other employment related obligations in the consolidated 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):

	2016	2015
Medical School clinical services and other support	$ 43,881	$ 54,267
Foreign study and continuing education programs	13,214	13,158
Student activities and other program revenues	13,085	11,729
Athletics revenues	4,247	4,526
Hopkins Center and Hood Museum revenues	1,349	1,372
Other revenues	20,354	21,671
Investment income	10,902	18,341
Total other operating income	$ 107,032	$ 125,064

J. Net Assets

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

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets:				
Operating funds	$ 287,506	$ 70,938	$ -	$ 358,444
Pledges	-	176,780	34,675	211,455
Postretirement and pension benefit obligations	(355,095)	-	-	(355,095)
Third-party charitable trusts	-	7,036	3,375	10,411
Facilities and capital	335,025	50,930	-	385,955
Interest rate swap agreements	(250,321)	-	-	(250,321)
Student loan funds	20,212	23,517	-	43,729
Other non-operating activities	59,010	6,587	-	65,597
Life income, annuity, and similar funds	-	54,865	27,516	82,381
Endowment funds	1,008,220	2,179,853	1,286,331	4,474,404
Total net assets	$ 1,104,557	$ 2,570,506	$ 1,351,897	$ 5,026,960

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Detail of net assets:				
Operating funds	$ 356,275	$ 66,228	$ -	$ 422,503
Pledges	-	137,601	26,767	164,368
Postretirement and pension benefit obligations	(400,293)	-	-	(400,293)
Third-party charitable trusts	-	5,674	4,010	9,684
Facilities and capital	347,886	37,613	-	385,499
Interest rate swap agreements	(167,417)	-	-	(167,417)
Student loan funds	20,761	22,754	-	43,515
Other non-operating activities	79,091	44,813	-	123,904
Life income, annuity, and similar funds	-	50,399	32,808	83,207
Endowment funds	1,075,885	2,407,876	1,179,730	4,663,491
Total net assets	$ 1,312,188	$ 2,772,958	$ 1,243,315	$ 5,328,461

K. Commitments and Contingencies

Outstanding commitments on uncompleted construction contracts total $24,322,000 at June 30, 2016.

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. Restructuring Costs and Liability

During the year ended June 30, 2016, Dartmouth restructured a number of activities at the Geisel School of Medicine (Geisel) to address increasing financial constraints, to improve Geisel's education and research programs, and to align resources and support for these activities. These changes include: creation of a new department of Medical Education, reorganization of the Basic Science departments, and migration of the operations and fiscal responsibility for clinical academic activities from Dartmouth to Dartmouth-Hitchcock Clinic and Mary Hitchcock Memorial Hospital (operating jointly as "Dartmouth-Hitchcock"). Responsibility for the employment, finances, and operational support for clinical research programs, as well as the clinical practice of psychiatry, transferred from Geisel to Dartmouth-Hitchcock on July 1, 2016.

The table below describes the $53,459,000 in restructuring expense reported in the consolidated Statement of Activities and the $44,917,000 of accrued liabilities, of which $36,265,000 is reported in Accounts payable and other liabilities line and $8,652,000 is reported in the Pension and other employment related obligations line on the consolidated Statement of Financial Position (in thousands):

	Total Restructuring Cost	Paid as of June 30, 2016	Liabilities as of June 30, 2016
Faculty and Staff Termination			
Benefits	$ 14,393	$ 5,741	$ 8,652
Financial Support[1]	18,273	-	18,273
Occupancy, research administration			
and other services[2]	17,461	-	17,461
Consulting	3,332	2,801	531
Total Restructuring Costs	$ 53,459	$ 8,542	$ 44,917

[1]Financial support includes designated departmental reserves, restricted gifts and endowment distributions. Restricted funds are expected to be available to Dartmouth-Hitchcock, for the purpose required by the donor, for the four years ending June 30, 2020.
[2]Certain of the occupancy and research administration and other support costs will be provided by Geisel to Dartmouth-Hitchcock at no charge during the two years ending June 30, 2018.

N. Subsequent Events

For purposes of determining the effects of other subsequent events on these consolidated financial statements, management has evaluated events subsequent to June 30, 2016 and through October 25, 2016, the date on which the consolidated financial statements were issued, and has concluded that there were no other subsequent events requiring adjustment or disclosure.