

# TRUSTEES OF DARTMOUTH COLLEGE

Financial Statements

2020 - 2021





## **Report of Independent Auditors**

To the Board of Trustees of Dartmouth College

We have audited the accompanying consolidated financial statements of Trustees of Dartmouth College and its subsidiaries (“Dartmouth”), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities for the year ended June 30, 2021, of expenses and of cash flows for the years ended June 30, 2021 and 2020.

### ***Management’s Responsibility for the Consolidated 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 Trustees of Dartmouth College and its subsidiaries as of June 30, 2021 and 2020 and the changes in their net assets for the year ended June 30, 2021 and their cash flows for the years ended June 30, 2021 and 2020 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, 2020, and the related consolidated statements of activities, of expenses and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 28, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
October 25, 2021

## Trustees of Dartmouth College

### Consolidated Statements of Financial Position

As of June 30, 2021 and June 30, 2020  
(in thousands)

	2021	2020
<b>Assets</b>		
Cash and cash equivalents	\$ 299,517	\$ 323,159
Receivables and other assets, net	170,816	146,744
Pledges receivable, net	371,543	372,453
Investments	9,862,013	7,174,810
Land, buildings, equipment, and construction in progress, net	1,157,347	1,061,174
<b>Total assets</b>	<b>\$ 11,861,236</b>	<b>\$ 9,078,340</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 148,889	\$ 122,834
Deferred revenues and deposits	47,831	38,924
Liability for split-interest agreements	54,415	47,705
Employment and retirement benefits	317,884	306,275
Bonds, mortgages, and notes payable, net	1,010,414	1,067,376
Interest rate swap liabilities	204,906	275,052
Conditional asset retirement obligations	23,692	22,982
Government advances for student loans	10,065	12,817
<b>Total liabilities</b>	<b>1,818,096</b>	<b>1,893,965</b>
<b>Net Assets</b>		
Without donor restrictions	2,571,034	1,729,061
With donor restrictions	7,472,106	5,455,314
<b>Total net assets</b>	<b>10,043,140</b>	<b>7,184,375</b>
<b>Total liabilities and net assets</b>	<b>\$ 11,861,236</b>	<b>\$ 9,078,340</b>

See accompanying notes to the consolidated financial statements.

## Trustees of Dartmouth College

### Consolidated Statement of Activities

For the year ended June 30, 2021, with summarized financial information for the year ended June 30, 2020

(in thousands)

	Without donor restrictions	With donor restrictions	Total	
			2021	2020
<b>Endowment Activities</b>				
Gifts	\$ 162	\$ 78,698	\$ 78,860	\$ 70,347
Net investment return	612,114	2,090,323	2,702,437	409,070
Distributed for spending	( 65,413)	( 224,294)	( 289,707)	( 273,008)
Other changes	( 2,019)	( 8,996)	( 11,015)	2,857
Amounts transferred from other funds, net	12,176	16,259	28,435	34,592
<b>Change in net assets from endowment activities</b>	<b>557,020</b>	<b>1,951,990</b>	<b>2,509,010</b>	<b>243,858</b>
<b>Operating Activities</b>				
Revenues and other support				
Tuition and fees, net of scholarships of \$172,145 in 2021 and \$170,978 in 2020				
	228,042	-	228,042	235,093
Sponsored research grants and contracts	163,553	-	163,553	153,697
Dartmouth College Fund and other gifts	88,647	17,581	106,228	87,094
Distributed endowment investment return	270,293	17,219	287,512	270,904
Other operating income	206,073	770	206,843	102,325
Auxiliaries	36,408	-	36,408	59,962
Net assets released from restrictions	5,779	( 5,779)	-	-
Total revenues and other support	<u>998,795</u>	<u>29,791</u>	<u>1,028,586</u>	<u>909,075</u>
Expenses				
Academic and student programs	541,197	-	541,197	574,816
Sponsored programs	112,104	-	112,104	106,472
General institutional services	94,270	-	94,270	102,145
Auxiliaries	67,543	-	67,543	78,827
Total expenses	<u>815,114</u>	<u>-</u>	<u>815,114</u>	<u>862,260</u>
<b>Change in net assets from operating activities</b>	<b>183,681</b>	<b>29,791</b>	<b>213,472</b>	<b>46,815</b>
<b>Non-operating Activities</b>				
Gifts	-	74,094	74,094	263,148
Distributed endowment investment return	673	1,522	2,195	2,104
Revenue and other non-operating changes, net	55,427	8,489	63,916	24,361
Non-operating expenses	( 61,219)	( 629)	( 61,848)	( 29,450)
Other components of net periodic benefit cost	2,922	-	2,922	( 5,979)
Increase (decrease) in outstanding pledges, net	-	( 910)	( 910)	( 41,808)
Pension and postretirement benefit related changes				
other than net periodic benefit cost	2,721	-	2,721	59,912
Change in unrealized gain (loss) related to				
interest rate swap agreements	70,146	-	70,146	( 89,954)
Net assets released from restrictions	36,240	( 36,240)	-	-
Amounts transferred to endowment, net	( 5,771)	( 22,664)	( 28,435)	( 34,592)
Net change in split-interest agreements	133	11,349	11,482	( 27,069)
<b>Change in net assets from non-operating activities</b>	<b>101,272</b>	<b>35,011</b>	<b>136,283</b>	<b>120,673</b>
<b>Change in net assets</b>	<b>841,973</b>	<b>2,016,792</b>	<b>2,858,765</b>	<b>411,346</b>
<b>Net Assets, beginning of year</b>	<b>1,729,061</b>	<b>5,455,314</b>	<b>7,184,375</b>	<b>6,773,029</b>
<b>Net Assets, end of year</b>	<b>\$ 2,571,034</b>	<b>\$ 7,472,106</b>	<b>\$ 10,043,140</b>	<b>\$ 7,184,375</b>

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

**Consolidated Statement of Expenses**

For the year ended June 30, 2021

(in thousands)

	Academic & Student Programs	Sponsored Programs	General Institutional Services				Total	Auxiliaries	Total Operating Expenses	Non-Operating Expenses	Total Expenses
			Administrative Support	Facilities Operation & Maintenance	Development						
Salaries and wages	\$ 251,884	\$ 51,894	\$ 29,798	\$ 20,712	\$ 23,012	\$ 73,522	\$ 13,174	\$ 390,474	\$ -	\$ 390,474	
Employee benefits	69,885	14,398	8,267	5,747	6,385	20,399	3,655	108,337	6,753	115,090	
Fellowships and student support	14,488	3,413	-	-	-	-	595	18,496	-	18,496	
Materials, equipment, and supplies	32,614	8,661	6,589	1,454	793	8,836	8,934	59,045	993	60,038	
Purchased services	43,430	33,175	7,945	4,760	2,506	15,211	6,496	98,312	1,271	99,583	
Utilities, taxes, and occupancy	1,449	96	-	27,042	48	27,090	8,173	36,808	326	37,134	
Depreciation and amortization	48,514	-	2,121	5,518	239	7,878	9,742	66,134	-	66,134	
Lodging, travel, and similar costs	1,818	150	272	5	41	318	1	2,287	-	2,287	
Interest	-	-	-	27,180	-	27,180	1,411	28,591	10,279	38,870	
Other expenses	2,712	317	2,372	751	225	3,348	253	6,630	39,304	45,934	
	466,794	112,104	57,364	93,169	33,249	183,782	52,434	815,114	58,926	874,040	
Facilities operation & maintenance	74,403	-	3,313	(93,169)	344	(89,512)	15,109	-	-	-	
<b>Total expenses for FY21</b>	<b>\$ 541,197</b>	<b>\$ 112,104</b>	<b>\$ 60,677</b>	<b>\$ -</b>	<b>\$ 33,593</b>	<b>\$ 94,270</b>	<b>\$ 67,543</b>	<b>\$ 815,114</b>	<b>\$ 58,926</b>	<b>\$ 874,040</b>	

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

**Consolidated Statement of Expenses**

For the year ended June 30, 2020

(in thousands)

	Academic & Student Programs	Sponsored Programs	General Institutional Services				Auxiliaries	Total Operating Expenses	Non-Operating Expenses	Total Expenses
			Administrative Support	Facilities Operation & Maintenance	Development	Total				
Salaries and wages	\$ 254,424	\$ 50,660	\$ 30,500	\$ 20,991	\$ 24,599	\$ 76,090	\$ 14,962	\$ 396,136	\$ -	\$ 396,136
Employee benefits	78,038	15,539	9,355	6,438	7,545	23,338	4,589	121,504	7,738	129,242
Fellowships and student support	15,200	3,249	-	-	-	-	-	18,449	-	18,449
Materials, equipment, and supplies	35,800	7,112	6,460	173	1,397	8,030	13,010	63,952	49	64,001
Purchased services	43,501	27,770	3,101	4,510	4,529	12,140	8,921	92,332	969	93,301
Utilities, taxes, and occupancy	1,652	70	-	30,448	379	30,827	8,930	41,479	301	41,780
Depreciation and amortization	47,789	-	2,309	4,576	198	7,083	10,098	64,970	-	64,970
Lodging, travel, and similar costs	18,203	1,839	953	97	1,772	2,822	107	22,971	77	23,048
Interest	-	-	-	26,673	-	26,673	1,411	28,084	11,337	39,421
Other expenses	6,573	233	3,694	550	632	4,876	701	12,383	14,958	27,341
	501,180	106,472	56,372	94,456	41,051	191,879	62,729	862,260	35,429	897,689
Facilities operation & maintenance	73,636	-	4,510	(94,456)	212	(89,734)	16,098	-	-	-
<b>Total expenses for FY20</b>	<b>\$ 574,816</b>	<b>\$ 106,472</b>	<b>\$ 60,882</b>	<b>\$ -</b>	<b>\$ 41,263</b>	<b>\$ 102,145</b>	<b>\$ 78,827</b>	<b>\$ 862,260</b>	<b>\$ 35,429</b>	<b>\$ 897,689</b>

See accompanying notes to the consolidated financial statements.

## Trustees of Dartmouth College

### Consolidated Statements of Cash Flows

For the years ended June 30, 2021 and June 30, 2020  
(in thousands)

	2021	2020
<b>Cash flows from operating activities</b>		
Total change in net assets	\$ 2,858,765	\$ 411,346
Adjustments to reconcile total change in net assets to net cash used in operating activities:		
Depreciation and amortization	64,197	64,384
Change in estimated value of interest rate swap agreements	(70,146)	89,954
Change in estimated pension and post-retirement benefit obligation	1,138	(51,738)
Net change in split-interest liability	6,710	(2,085)
Change in pledges receivable, net	910	41,808
Other non-cash transactions	2,168	1,414
Contributed securities	(64,451)	(225,847)
Contributions, investment income, and other changes restricted for long-term investment	(139,407)	(137,627)
Net realized (gains) losses and changes in net unrealized (gains) losses	(2,910,435)	(406,059)
Changes in operating assets and liabilities:		
Receivables and other assets, net	(25,449)	(6,672)
Accounts payable and other liabilities	19,479	(2,332)
Deferred revenues and deposits	8,907	(8,265)
Employment related obligations	10,471	4,295
Net cash used in operating activities	<u>(237,143)</u>	<u>(227,424)</u>
<b>Cash flows from investing activities</b>		
Student loans granted	(3,579)	(5,712)
Student loans repaid	5,956	8,559
Purchases of land, buildings, and equipment	(156,887)	(132,576)
Purchases of investments	(6,741,077)	(6,910,609)
Sales and maturities of investments	7,025,490	7,128,691
Net cash provided by investing activities	<u>129,903</u>	<u>88,353</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	-	45,000
Repayment of debt	(56,209)	(10,615)
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	37,189	37,900
Endowment, life income, and similar funds	102,218	99,727
Finance lease principal payments	(119)	-
Changes in government advances for student loans	(2,752)	(5,469)
Net cash provided by financing activities	<u>80,327</u>	<u>166,543</u>
<b>Net change in cash and cash equivalents</b>	(26,913)	27,472
Cash and cash equivalents, beginning of year	345,631	318,159
Cash and cash equivalents, end of year	<u>\$ 318,718</u>	<u>\$ 345,631</u>
<b>Supplemental information on cash and cash equivalents:</b>		
Cash and cash equivalents as shown in the Statement of Financial Position	\$ 299,517	\$ 323,159
Cash and cash equivalents included in Investments	19,201	22,472
Cash and cash equivalents as shown on the Statement of Cash Flows	<u>\$ 318,718</u>	<u>\$ 345,631</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 42,608	\$ 41,577
Accounts payable related building and equipment additions	\$ 5,717	\$ 1,950
Fair value of securities received	\$ 236,721	\$ 308,423

See accompanying notes to the consolidated financial statements.



Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

**A. Summary of Significant Accounting Policies**

**Description of Organization**

Trustees of Dartmouth College (Dartmouth) is a private, nonprofit, co-educational, nonsectarian institution of higher education with approximately 4,200 undergraduate and 2,100 graduate students. Established in 1769, Dartmouth includes the four-year undergraduate college, with graduate schools of business, engineering, medicine, and 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 financially controlled entities including real estate corporations, which own real estate in the Hanover, NH area and the Dartmouth Education Loan Corporation (DELC), which provides scholarships and loans to Dartmouth students who are unable to finance their education through other sources.

In accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, Dartmouth classifies its net assets into two categories according to donor restrictions; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include all resources that are not subject to donor 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 net assets without donor restrictions may be set aside in segregated Dartmouth-designated reserve accounts and earmarked for use in future years by specific departments, divisions or schools to cover program costs or contingencies. These Dartmouth-designated net assets include funds designated for operating initiatives, facilities, and long-term quasi-endowment. 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 net assets without donor restrictions in either operating or non-operating activities, depending upon Dartmouth's intended use of the funds. 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 operating expenses are recorded as a reduction of net assets without donor restrictions.

Net assets with donor restrictions carry donor restrictions on the expenditure or other use of contributed funds. These restrictions may expire either because of the passage of time or because actions are taken to fulfill the restrictions, or they may never lapse, thus requiring that the net assets be retained permanently. Net assets with donor restrictions include unexpended endowment return, unexpended restricted use gifts, term endowment funds, loan funds, certain uncollected pledges, life income and similar funds, and the original principal of endowment gifts. Donor-restricted resources intended for capital projects are released from their restrictions and presented as net assets without donor restrictions when the related asset is placed in service. Donor restricted endowment distribution and donor-restricted gifts which are received, and either spent or deemed spent within the same fiscal year, are reported as net assets without donor restrictions. 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 restricted nature of the donor's intended use of the funds.

**Comparative Financial Information**

The 2021 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, 2020, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2021 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 retirement medical benefit

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

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 year 2021, Dartmouth adopted ASU 2016-02, *Leases (Topic 842)*, which provides guidance for leases from both the lessor's and lessee's perspective. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases. The adoption of this standard did not have a significant impact on Dartmouth's financial statements.

In fiscal year 2021, Dartmouth early adopted ASU 2018-14, *Changes to the Disclosure Requirements for Defined Benefit plans*, which amends ASC 715 *Compensation – Retirement Benefits* to add, remove and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The adoption of this standard did not have a significant impact on Dartmouth's financial statements.

In fiscal year 2020, Dartmouth adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that all cash, cash equivalents, and amounts generally described as restricted cash or cash equivalents be included in the beginning and ending totals in the Consolidated Statements of Cash Flows. Dartmouth has evaluated and applied this guidance on a retrospective basis and included all applicable cash balances in the Consolidated Statements of Cash Flows. The adoption of this standard did not have a significant impact on Dartmouth's financial statements.

In fiscal year 2020, Dartmouth adopted the provisions of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which it had not previously adopted. The guidance addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. In particular, equity investments that do not have a readily determinable fair value are recorded at cost less impairment. Dartmouth has adopted this provision prospectively. As permitted by the ASU, Dartmouth chose 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) in fiscal year 2016.

**Consolidated Statement of Activities**

Operating activities presented in the Consolidated Statement of Activities consist of revenues earned, investment income, 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. Employee benefits expense is allocated based on salary and wage expense.

Non-operating activities presented in the Consolidated Statement of Activities consist of gifts for facilities projects, split interest agreements, 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 retirement medical benefit changes other than service cost.

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 funds without donor restrictions.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

**Cash and Cash Equivalents**

Cash and cash equivalents are recorded at cost which approximates fair value and may include U.S. treasury funds, money market accounts, certificates of deposit, commercial paper, foreign currency, and liquid short-term investments with maturities of 90 days or less at the date of acquisition. Cash and short-term investments including U.S. treasury securities, money market funds, foreign currency, and other interest bearing vehicles held for investment purposes in the Endowment are reported as Investments on the Consolidated Statements of Financial Position.

**Tuition and Fees and Student Scholarships**

Tuition and fees revenue is recognized in the fiscal year in which substantially all of the academic program services are provided. Tuition and fees revenue from undergraduate enrollment represents approximately 63 and 66 percent of tuition and fees revenue for the years ended June 30, 2021 and 2020, respectively. Student scholarships provided by Dartmouth reduce the published price of tuition for students receiving these scholarships. In addition, Dartmouth acts as an agent for recipients of scholarships from other sponsors in the amounts of \$7,114,000 and \$3,443,000 for the years ended June 30, 2021 and 2020, respectively, which are not presented in the Consolidated Statement of Activities.

Dartmouth does not consider the financial need in the admission process for undergraduate applicants who are U.S. citizens or permanent residents but does consider financial need in the admission process for international applicants. All admitted undergraduate students are offered financial aid to fully meet their demonstrated need, which is defined using a uniform formula that determines the ability to pay based on the family's income and assets, along with many other factors. The full amount of demonstrated need is met with a financial aid package that includes a combination of employment eligibility, grants, and in some cases, loans.

**Sponsored Research Grants and Contracts**

Sponsored research includes revenue from exchange and conditional non-exchange agreements with governments, foundations and private sources for research activities. Revenue from exchange agreements is recognized when performance obligations are met, and revenue from conditional non-exchange agreements is recognized as the related costs are incurred. Non-exchange agreements are considered conditional if the terms of the agreement include both a right of return/release and a barrier. These agreements become unconditional as barriers are met. As of June 30, 2021 and 2020, Dartmouth had unrecorded conditional sponsored research agreements of \$117,796,000 and \$113,235,000, respectively. Revenue from the reimbursement of facilities and administrative costs incurred by Dartmouth on U.S. government grants and contracts is based upon negotiated rates including predetermined rates through June 30, 2018, and provisional rates effective July 1, 2018 until amended. Dartmouth recovered facilities and administrative costs of approximately \$45,206,000 and \$41,843,000 during the years ended June 30, 2021 and 2020, respectively.

**Revenue from Auxiliaries**

Auxiliary services furnish goods or services to students, faculty, staff and incidentally to the general public and charge a fee directly related to the cost of the goods or services provided. Auxiliary revenue includes revenues from student housing and dining facilities, revenues from recreational and hospitality operations, and other miscellaneous activities. Revenue from auxiliary operations is recognized as the goods are provided or services are rendered.

**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, 2021, tax years ended June 30, 2018 through June 30, 2020 remain open and are subject to federal and state taxing authority examination. Dartmouth believes it has taken no significant uncertain tax positions.

The 2017 Tax Cuts and Jobs Act (the "Act") impacts Dartmouth in several ways, including imposing excise taxes on executive compensation in excess of \$1,000,000 and net investment income, changes to the net operating loss rules, repeal of the alternative minimum tax (AMT), and the computation of UBTI separately for each unrelated trade or business. Further, the Act reduced

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

the US federal corporate tax rate and federal corporate unrelated business income tax rate from 35% to 21%. As of June 30, 2021, Dartmouth has accrued an estimated liability for unrelated business income taxes payable of \$29,386, excise taxes payable of \$3,088,000, and a deferred tax liability of \$45,619,000. As of June 30, 2020, Dartmouth accrued an estimated tax liability for unrelated business income taxes payable of \$101,000, excise taxes payable of \$1,649,000 and a deferred tax liability of \$13,892,000.

**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 (MHMH), (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, 2021 and 2020, Dartmouth paid approximately \$11,600,000 and \$11,200,000, respectively, and received approximately \$10,200,000 and \$11,700,000, 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 Statements 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 and pledges are recognized as increases in the appropriate category of net assets in the period the gift or pledge is received. The net change in total pledges is recorded as a net increase (decrease) in non-operating activities in the Consolidated Statement of Activities. Pledges are stated at the estimated present value of future cash flows, net of an allowance for uncollectible amounts. Contributions of securities are recorded at their estimated fair value at the date of gift when the fair value is readily determinable and material. 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 U.S. 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. Advance contributions to commingled fund investments and redemptions receivable from commingled fund are included within Investments as presented on the Consolidated Statements 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

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

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. Certain other direct private equity investments are valued by Dartmouth based upon valuation information received from the relevant entity and/or external fund manager. Dartmouth evaluates the valuation methodology compared to industry standard valuation techniques, as well as unobservable inputs such as EBITDA multiples as part of the overall assessment of fair value.

Dartmouth has elected to measure certain equity securities without a readily determinable fair value that do not qualify to use NAV as a practical expedient at cost or donated value less impairment, adjusted for changes in observable prices. Dartmouth assesses these investments for impairment on an annual basis and considers both qualitative and quantitative factors that may have a significant impact on the investee's fair value, including the financial condition, expected future cash flows and business outlook of the investee.

Directly held real estate is reflected at fair value in accordance with Dartmouth's valuation policy. Management estimates fair value for these properties using primarily inputs from independent third-party appraisals, which are updated annually, but may consider other metrics including discounted cash flow analysis or recent tax assessments, or at cost which approximates fair value for properties held for less than one 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 investment return 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 netted against investment return.

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 with donor restrictions and net assets without donor restrictions 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 the Board of Trustees-approved endowment utilization policy and New Hampshire state law. However, certain endowment funds with donor restrictions do allow for the expenditure of principal, and Dartmouth-designated endowment funds are net assets without donor restrictions 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 net assets with donor restrictions the historical value of donor-restricted endowment funds, which includes (a) the original value of contributions donated to the endowment, (b) the original value of subsequent contributions, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Also included in net assets with donor restrictions is accumulated appreciation on donor-restricted endowment funds which are available for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. Investment return on net assets with donor restrictions is presented as a change in net assets with donor

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

restrictions in the Consolidated Statement of Activities. Deficiencies associated with funds where the value of the fund has fallen below the original value of the gift are also included in net assets with donor restrictions. With respect to underwater endowments the spending occurs only to the extent the fair value of the endowment funds is 80% of historical book value.

Endowment net assets without donor restrictions include Dartmouth funds and certain 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 endowment net assets without donor restrictions and the annual distribution of a portion of accumulated investment return to operating and non-operating activities are presented as changes in net assets without donor restrictions 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 1.2% and 0.6% for June 30, 2021 and 2020, 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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

The collections, which were acquired through purchases and contributions since Dartmouth's inception, are not recognized as assets in the Consolidated Statements of Financial Position. Purchases of collection items are recorded in the Consolidated Statement of Activities as non-operating decreases in net assets without donor restrictions in the year in which the items are acquired or in net assets with donor restrictions 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):

	2021	2020
Student accounts	\$ 6,762	\$ 1,967
Sponsored research grants and contracts	24,052	16,667
Other accounts	73,087	57,822
Notes and student loans	49,913	52,290
Less: allowance for uncollectible accounts	(1,764)	(2,185)
Receivables, net	\$ 152,050	\$ 126,561
Prepaid costs, inventories, and other assets	18,766	20,183
<b>Total receivables and other assets, net</b>	<b>\$ 170,816</b>	<b>\$ 146,744</b>

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 Statements of Financial Position. The Perkins Loan Extension Act of 2015 ("the Act") ended the authority of participating institutions to make new Perkins Loans to students on September 30, 2017. The Act also requires each participating institution to refund to the federal government an amount calculated annually based on remaining outstanding loans and other factors. Dartmouth refunded \$2,716,000 of the government advance during fiscal year 2021. Due to the nature and terms of student loans funded by the Federal government and 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 received during the years ended June 30 were as follows (in thousands):

	2021	2020
Gifts to support operations	\$ 106,228	\$ 87,094
Gifts for:		
Facilities and student loans	37,189	37,900
Other restricted uses	22,567	33,686
Endowment	78,860	70,347
Split-interest agreements	14,338	20,051
Other Unrestricted Uses	-	171,511
<b>Total gifts</b>	<b>\$ 259,182</b>	<b>\$ 420,589</b>

In fiscal year 2020, Dartmouth received a gift of units in a limited partnership as the remainder beneficiary of a terminated trust valued at \$171,511,000 on the date of the gift. Dartmouth periodically receives distributions from the partnership which are included in investment income in Operating Activities on the Statement of Activities.

Unconditional pledges as of June 30 are expected to be realized in the following periods, discounted at rates ranging from 0.2% to 6.2% (in thousands):

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

	2021	2020
In one year or less	\$ 141,524	\$ 115,216
Between one year and five years	214,554	237,134
Six years and after	48,784	50,410
Gross pledges receivable	\$ 404,862	\$ 402,760
Less: present value discount	(9,382)	(12,572)
Less: allowance for uncollectible pledges	(23,937)	(17,735)
<b>Pledges receivable, net</b>	<b>\$ 371,543</b>	<b>\$ 372,453</b>

At June 30, 2021 and 2020, Dartmouth had outstanding unrecorded conditional promises to give, including non-legally binding bequests, of \$378,451,000 and \$347,988,000, respectively. When conditional promises to give become unconditional or cash payments on non-legally binding bequests are received, they are recorded and may be restricted by the donor for operations, endowment or capital projects.

**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.

Cash and short-term investments designated for investment purposes in the Endowment are included in Investments on the Consolidated Statements of Financial Position and may include money market funds, foreign currency, foreign government bonds 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.

Fixed income includes strategies based on capital preservation and 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 may include directly held securities as well as investments through commingled funds.

Global equity investments include directly held public 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.

Hedge funds include investments in commingled funds with discrete and blended strategies, including long/short equity, absolute return, market neutral, distressed and credit strategies. Hedge funds generally hold long and short 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 directly or through publicly traded mutual funds as well as direct real estate. Other real asset investments may include limited partnerships, commingled funds and/or public index exposure targeting natural resource or renewable investments.

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

	2021	2020
Endowment investments	\$ 8,520,121	\$ 6,013,491
Split-interest agreement investments	172,519	144,190
Operating and other investments	1,169,373	1,017,129
<b>Total investments</b>	<b>\$ 9,862,013</b>	<b>\$ 7,174,810</b>



Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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 investments in Level 1 includes cash and short-term investments, actively listed and traded securities, 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 certain 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, private equity, 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, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	\$ 384,926	\$ -	\$ -	\$ 384,926
Fixed income	215,717	201,573	38	417,328
Global equity:				
US equity	253,871	-	112	253,983
International	81,284	-	-	81,284
Emerging markets	5,398	-	-	5,398
Private equity/Venture capital	-	-	73,657	73,657
Real assets:				
Real estate	16,537	-	199,641	216,178
Other real assets	6	-	-	6
Other investments	-	-	184	184
Derivative assets (liabilities)	(522)	(470)	-	(992)
Subtotal	\$ 957,217	\$ 201,103	\$ 273,632	\$ 1,431,952
Contributions in advance				60,000
Investment receivables				115,881
Investment payables				(89,936)
Investments at NAV				8,172,605
Investments at donated value/cost less impairment				171,511
Total Investments	\$ 957,217	\$ 201,103	\$ 273,632	\$ 9,862,013

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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, 2020 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	\$ 380,200	\$ -	\$ -	\$ 380,200
Fixed income	188,588	219,496	30	408,114
Global equity:				
US equity	196,058	-	106	196,164
International	93,681	-	-	93,681
Emerging markets	4,658	-	-	4,658
Private equity/Venture capital	-	-	29,350	29,350
Real assets:				
Real estate	13,865	-	189,881	203,746
Other real assets	4	-	-	4
Other investments	-	-	471	471
Derivative assets (liabilities)	(1,497)	(1,235)	-	(2,732)
Subtotal	\$ 875,557	\$ 218,261	\$ 219,838	\$ 1,313,656
Investment receivables				45,022
Investment payables				(67,108)
Investments at NAV				5,711,729
Investments at donated value and cost less impairment				171,511
Total Investments	\$ 875,557	\$ 218,261	\$ 219,838	\$ 7,174,810

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, 2021 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 95,566	Monthly	30 – 40	\$ -
Global equity:				
US equity <sup>1</sup>	1,139,285	Ranges from quarterly to bi-annual	60 – 90	29,250
International <sup>2</sup>	435,497	Ranges from semi-monthly to annually	3 – 180	-
Emerging markets <sup>3</sup>	604,043	Ranges from quarterly to annually	30 – 180	-
Hedge funds <sup>4</sup>	1,889,278	Ranges from monthly to annually; illiquid	30 – 90	81,718
Private equity / Venture capital	3,237,454	Illiquid	Not applicable	776,619
Real assets:				
Real estate	378,293	Illiquid	Not applicable	306,686
Other real assets	393,189	Illiquid	Not applicable	106,368
Total	\$ 8,172,605			\$ 1,300,641

<sup>1</sup> US equity includes funds that have restrictions on the ability to fully redeem up to three years.

<sup>2</sup> International includes funds that have restrictions on the ability to fully redeem up to two years.

<sup>3</sup> Emerging markets includes funds that have restrictions on the ability to fully redeem up to three years, excluding illiquid securities and special investments.

<sup>4</sup> Hedge funds includes funds that have restrictions on the ability to fully redeem up to four years, excluding illiquid securities and special investments.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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, 2020 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 83,895	Monthly	30 – 40	\$ -
Global equity:				
US equity <sup>1</sup>	1,037,685	Ranges from quarterly to bi-annual	60 – 90	31,419
International <sup>2</sup>	421,418	Ranges from semi-monthly to annually	3 – 180	-
Emerging markets <sup>3</sup>	461,323	Ranges from quarterly to annually	45 – 180	-
Hedge funds <sup>4</sup>	1,395,057	Ranges from monthly to annually; illiquid	30 – 90	15,963
Private equity / Venture capital	1,759,873	Illiquid	Not applicable	784,690
Real assets:				
Real estate	273,403	Illiquid	Not applicable	309,677
Other real assets	279,075	Illiquid	Not applicable	145,222
Total	<u>\$ 5,711,729</u>			<u>\$ 1,286,971</u>

<sup>1</sup> US equity includes funds that have restrictions on the ability to fully redeem up to five years.

<sup>2</sup> International includes funds that have restrictions on the ability to fully redeem up to two years.

<sup>3</sup> Emerging markets includes funds that have restrictions on the ability to fully redeem up to three years, excluding illiquid securities.

<sup>4</sup> Hedge funds includes funds that have restrictions on the ability to fully redeem up to four years, excluding illiquid securities and special investments.

At June 30, 2021 and June 30, 2020, the aggregate carrying amount of Dartmouth's investments measured at cost less impairment is \$171,511,000. There have been no impairment adjustments or changes in observable prices recognized.

The following tables present Dartmouth's activity for the fiscal years ended June 30, 2021 and 2020 for investments measured at fair value in Level 3 (in thousands):

	Fixed Income	US Equity	Real Assets	Private Equity/Venture Capital	Other Investments	Total
Balance as of June 30, 2020	\$ 30	\$ 106	\$ 189,881	\$ 29,350	\$ 471	\$ 219,838
Acquisitions / purchases	7	5	2,735	11,078	3	13,828
Distributions / sales	-	-	(3,248)	-	(292)	(3,540)
Realized gain/(loss)	-	-	(2,521)	-	-	(2,521)
Change in unrealized gain/(loss)	1	1	12,794	33,229	2	46,027
Balance as of June 30, 2021	<u>\$ 38</u>	<u>\$ 112</u>	<u>\$ 199,641</u>	<u>\$ 73,657</u>	<u>\$ 184</u>	<u>\$ 273,632</u>

	Fixed Income	US Equity	Real Assets	Private Equity/Venture Capital	Other Investments	Total
Balance as of June 30, 2019	\$ 29	\$ 73	\$ 187,652	\$ 19,380	\$ 953	\$ 208,087
Acquisitions / purchases	-	50	1,529	3,800	4	5,383
Distributions / sales	-	-	(3,279)	-	(220)	(3,499)
Transfers out	-	-	(1,106)	-	(247)	(1,353)
Realized gain/(loss)	-	-	(561)	-	23	(538)
Change in unrealized gain (loss)	1	(17)	5,646	6,170	(42)	11,758
Balance as of June 30, 2020	<u>\$ 30</u>	<u>\$ 106</u>	<u>\$ 189,881</u>	<u>\$ 29,350</u>	<u>\$ 471</u>	<u>\$ 219,838</u>

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

Cumulative unrealized gains related to Level 3 investments totaled \$80,489,000 and \$34,935,000 as of June 30, 2021 and 2020, respectively. The net change in unrealized gains/(losses) related to Level 3 investments held at June 30, 2021, and June 30, 2020 was \$45,554,000 and \$12,050,000, respectively. For fiscal year 2020, transfers out of Level 3, are primarily due to the decreased observability of pricing inputs for certain securities.

The following tables summarize quantitative inputs and assumptions used for Level 3 investments at June 30, 2021 and 2020 for which fair value is based on unobservable inputs. Significant increases or decreases in these unobservable inputs may result in significant higher or lower valuation results, however actual results could differ materially from these estimates particularly during periods of investment and/or interest rate volatility.

June 30, 2021 (in thousands):

Asset Class	Fair Value <sup>1</sup>	Valuation Technique	Unobservable Inputs	Input Value(s)	Weighted Average
Real Estate	\$ 176,845	Third party appraisal-income capitalization approach	Capitalization rate	6.25 – 9.10%	7.32%
	19,743	Third party appraisal-comparable sales	Market value per square foot		
	3,053	Third party appraisal-adjusted cost	Discount rate	25.00%	25.00%
Private Equity	34,690	Market comparables	EBITDA multiple	13.6x – 17.3x	15.7x
	19,136	Market comparables	Revenue multiple	7.0x	7.0x
	11,832	Discounted cash flow	Weighted average cost of capital	10.10%	10.1%
Total	<u>\$ 265,299</u>				

<sup>1</sup>The fair value may be determined using multiple valuation techniques.

June 30, 2020 (in thousands):

Asset Class	Fair Value <sup>1</sup>	Valuation Technique	Unobservable Inputs	Input Value(s)	Weighted Average
Real Estate	\$ 167,025	Third party appraisal-income capitalization approach	Capitalization rate	6.75 – 9.40%	7.48%
	20,264	Third party appraisal-comparable sales	Market value per square foot		
	2,592	Third party appraisal-adjusted cost	Discount Rate	25.00%	25.00%
Private Equity	23,350	Market comparables	EBITDA multiple	12.6x – 15.7x	15.1x
	6,000	Market comparables	Revenue multiple	4.5x	4.5x
Total	<u>\$ 219,231</u>				

<sup>1</sup>The fair value may be determined using multiple valuation techniques.

For June 30, 2021 and 2020 certain level 3 investments are valued at cost totaling \$8,333,000 and \$607,000 respectively and are excluded from the above tables.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

The following tables set forth the fair value of Dartmouth's derivative instruments for investment purposes by contract type as of June 30, 2021 and 2020 and gains/(losses) related to derivative activities for the years ended June 30, 2021 and 2020 (in thousands):

June 30, 2021:

	Notional Exposure		Fair Value <sup>1</sup>		Net Gain/(Loss) <sup>2</sup>
	Long	Short	Asset	Liability	
Foreign currency contracts	\$ 20,955	\$ (60,941)	\$ 1,782	\$ (15)	\$ (4,628)
Fixed income futures contracts	93,182	(92,807)	16	(1,836)	3,648
Equity Futures	-	(52,666)	180	(415)	(23,512)
Interest rate swaps <sup>3</sup>	755	-	171	-	94
Credit default swaps	8,002	-	19	(894)	337
Other	-	-	-	-	3,450
Total	<u>\$ 122,894</u>	<u>\$ (206,414)</u>	<u>\$ 2,168</u>	<u>\$ (3,160)</u>	<u>\$ (20,611)</u>

June 30, 2020:

	Notional Exposure		Fair Value <sup>1</sup>		Net Gain/(Loss) <sup>2</sup>
	Long	Short	Asset	Liability	
Foreign currency contracts	\$ 116,273	\$ (151,670)	\$ 1,912	\$ (200)	\$ 4,611
Fixed income futures contracts	66,756	(60,632)	109	(343)	(5,615)
Equity Futures	-	(119,708)	244	(3,143)	(10,325)
Interest rate swaps <sup>3</sup>	655	-	-	(305)	(811)
Credit default swaps	4,918	(8,146)	84	(1,090)	(849)
Other	-	-	-	-	(15)
Total	<u>\$ 188,602</u>	<u>\$ (340,156)</u>	<u>\$ 2,349</u>	<u>\$ (5,081)</u>	<u>\$ (13,004)</u>

<sup>1</sup> The net fair value of these derivative instruments is included in the Consolidated Statements of Financial Position as Investments.

<sup>2</sup> The net gain/(loss) from these derivative instruments is presented in the endowment, operating, and non-operating sections of the Consolidated Statement of Activities as other operating income and other non-operating changes.

<sup>3</sup> The notional amount of these contracts represents a structure which pay based on a fixed rate and receive based on a variable rate.

Dartmouth enters into certain foreign currency contracts, equity and government bond futures and forwards to efficiently manage portfolio exposures to global equity markets, currencies and interest rates. These instruments may be used to hedge the portfolio from unwanted equity currency, and interest rate risk, but also to efficiently implement active duration and relative value currency strategies. These instruments are valued using quoted prices in active markets or pricing inputs derived from market-based prices and therefor are included in Level 1 or 2 in the Fair Value Leveling table respectively. In certain circumstances 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, 2021 and 2020, Dartmouth had no pledged collateral on futures contracts for investment purposes.

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.

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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

**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):

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 1,355,280	\$ 4,619,900	\$ 5,975,180
Investment return, net	612,114	2,090,323	2,702,437
Gifts	162	78,698	78,860
Distribution of endowment return	(65,413)	(224,294)	(289,707)
Transfers and other changes, net	10,157	7,263	17,420
<b>Endowment net assets, June 30, 2021</b>	<b>\$ 1,912,300</b>	<b>\$ 6,571,890</b>	<b>\$ 8,484,190</b>

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2019	\$ 1,301,074	\$ 4,430,248	\$ 5,731,322
Investment return, net	93,537	315,533	409,070
Gifts	28	70,319	70,347
Distribution of endowment return	(61,420)	(211,588)	(273,008)
Transfers and other changes, net	22,061	15,388	37,449
<b>Endowment net assets, June 30, 2020</b>	<b>\$ 1,355,280</b>	<b>\$ 4,619,900</b>	<b>\$ 5,975,180</b>

Transfers and other changes, net include additions to the endowment from matured split-interest agreements, net transfers resulting from changes in donor restrictions or Dartmouth designations, and other internal charges including certain fundraising costs and excise tax.

Endowment net assets consist of the following as of June 30, 2021 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	\$ 1,912,300	\$ -	\$ 1,912,300
Donor-restricted funds			
Accumulated investment gains	-	4,583,860	4,583,860
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,988,030	1,988,030
<b>Total endowment net assets</b>	<b>\$ 1,912,300</b>	<b>\$ 6,571,890</b>	<b>\$ 8,484,190</b>

Endowment net assets consist of the following as of June 30, 2020 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	\$ 1,355,280	\$ -	\$ 1,355,280
Donor-restricted funds			
Accumulated investment gains	-	2,731,001	2,731,001
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	1,888,899	1,888,899
<b>Total endowment net assets</b>	<b>\$ 1,355,280</b>	<b>\$ 4,619,900</b>	<b>\$ 5,975,180</b>

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

The classification of endowment net assets by purpose as of June 30, 2021 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Teaching and Research	\$ 622,279	\$ 2,753,826	\$ 3,376,105
Financial Aid	78,902	1,932,957	2,011,859
Academic and Student Support	154,284	688,025	842,309
Operations and Facilities	1,056,835	1,197,082	2,253,917
<b>Endowment net assets, June 30, 2021</b>	<b>\$ 1,912,300</b>	<b>\$ 6,571,890</b>	<b>\$ 8,484,190</b>

The classification of endowment net assets by purpose as of June 30, 2020 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Teaching and Research	\$ 445,284	\$ 1,936,294	\$ 2,381,578
Financial Aid	55,938	1,347,435	1,403,373
Academic and Student Support	110,004	480,637	590,641
Operations and Facilities	744,054	855,534	1,599,588
<b>Endowment net assets, June 30, 2020</b>	<b>\$ 1,355,280</b>	<b>\$ 4,619,900</b>	<b>\$ 5,975,180</b>

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. Deficiencies of this nature are reported as reductions in net assets with donor restrictions. As of June 30, 2021, and 2020, there were no endowment funds with a market value less than this required level.

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. The Board approves the formula that determines the amount appropriated from endowment each year. The resulting fiscal year 2021 endowment distribution of \$289,707,000 represents a 4.8% distribution rate when measured against the previous year's June 30<sup>th</sup> 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 donor restricted endowment funds is reported net assets with donor restrictions 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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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

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

	<u>2021</u>	<u>2020</u>
Land	\$ 20,955	\$ 20,952
Buildings	1,521,538	1,459,235
Land improvements	127,956	123,959
Equipment and software	<u>393,857</u>	<u>388,955</u>
Land, buildings, and equipment	\$ 2,064,306	\$ 1,993,101
Less: accumulated depreciation	(1,141,656)	(1,078,322)
Construction in progress	<u>234,697</u>	<u>146,395</u>
<b>Total net book value</b>	<u><u>\$ 1,157,347</u></u>	<u><u>\$ 1,061,174</u></u>

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. Leases**

Dartmouth leases real estate, office equipment and landscaping equipment with initial terms in excess of one year. Under the newly adopted accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the Statement of Financial Position, lessees are required to record Right-of-Use assets, representing the right to use the underlying assets for the lease term, and Lease liabilities, representing the obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. Dartmouth has made the following elections: (1) to adopt a package of practical expedients relating to reassessment, (2) to exclude leases with a term of less than one year, (3) to use an incremental borrowing rate for discounting leases, as applicable, and (4) to account for each separate lease component of a contract and its associated non-lease components as a single lease component. Dartmouth classified the real estate leases as operating leases and equipment leases as finance leases.

At June 30, 2021, Right-of-Use assets recorded on the Statement of Financial Position were \$1,893,000 for operating leases and \$357,000 for finance leases, with Lease liabilities of \$1,687,000 for operating leases and \$357,000 for finance leases. At June 30, 2021 the weighted average remaining lease term was 2.8 years for operating leases and 4.4 years for finance leases, with a weighted average discount rate of 1.09% for operating leases and 1.00% for finance leases. For the year ended June 30, 2021 operating lease expense totaled \$1,368,000 and finance lease expense totaled \$71,000, with \$68,000 of amortization expense and \$3,000 of interest expense.

Future minimum lease payments at June 30, 2021 are as follows (in thousands):

<u>June 30</u>	<u>Payment</u>
2022	\$ 1,041
2023	504
2024	188
2025	184
2026	138
Thereafter	71



Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

**H. Liquidity and Availability of Resources**

As of June 30, 2021 and 2020, Dartmouth's financial assets and liquidity resources available within one year for general expenditure, including operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows (in thousands):

	2021	2020
	<u>                    </u>	<u>                    </u>
Financial assets:		
Cash and liquid operating investments	\$ 999,204	\$ 870,959
Notes and accounts receivable, net	74,115	56,093
Contributions receivable	119,915	100,122
Taxable debt (unexpended)	245,248	258,082
Approved endowment payout for following year	334,786	289,032
Total financial assets available within one year	<u>\$ 1,773,268</u>	<u>\$ 1,574,288</u>
Liquidity resources:		
Taxable commercial paper (undrawn)	120,000	75,000
Bank lines of credit	350,000	375,000
Total financial assets and liquidity resources available within one year	<u><u>\$ 2,243,268</u></u>	<u><u>\$ 2,024,288</u></u>

As part of Dartmouth's liquidity management strategy financial assets are structured to be available as general expenditures, liabilities and other obligations come due. In addition, Dartmouth invests cash in excess of daily requirements in short-term investments. To manage liquidity, Dartmouth maintains three lines of credit and a taxable commercial paper program that are drawn upon as needed during the year to manage cash flows. The maturity dates range from December 31, 2021 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2021 or 2020.

Additionally, Dartmouth has board-designated endowment funds of \$1,912,300,000. Although Dartmouth does not intend to spend from its board-designated endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from these funds could be made available if necessary. However, both the board-designated and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

**I. Bonds, Mortgages, and Notes Payable**

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

	Fiscal Year Maturity	2021 Interest Rate	2021	2020
New Hampshire Health and Education Facilities Authority (NHHEFA):				
Tax-Exempt Fixed Rate:				
Series 2017	2028	5.00%	37,660	37,660
Tax-Exempt Variable Rate:				
Series 2003	2023	0.02% - 0.21%	19,070	28,200
Series 2007B	2041	0.01% - 0.19%	75,000	75,000
Series 2015AB	2040	0.61% - 0.67%	101,000	101,000
Series 2015CD	2038	0.61% - 0.67%	89,515	89,665
Series 2016A	2043	0.74% - 0.79%	165,000	165,000
<b>Subtotal tax-exempt bonds</b>			<b>\$ 487,245</b>	<b>\$ 496,525</b>
Taxable Bonds:				
Fixed Rate				
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	250,000
<b>Subtotal taxable bonds</b>			<b>\$ 470,000</b>	<b>\$ 470,000</b>
<b>Subtotal bonds</b>			<b>\$ 957,245</b>	<b>\$ 966,525</b>
Mortgages on real estate investments:				
Fixed Rate	2024 – 2037	2.87% - 4.94%	19,253	21,182
Taxable commercial paper note:				
Variable Rate		0.10% - 0.23%	30,000	75,000
<b>Subtotal bonds, mortgages and notes payable</b>			<b>\$ 1,006,498</b>	<b>\$ 1,062,707</b>
Original issue premium, net			6,279	7,195
Unamortized debt issuance costs			(2,363)	(2,526)
<b>Total bonds, mortgages, and notes payable, net</b>			<b>\$ 1,010,414</b>	<b>\$ 1,067,376</b>

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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

	2021	2020
<u>Consolidated Statement of Activities:</u>		
Endowment Activities		
Interest expense on mortgage and debt used to finance endowment-related real estate projects, presented as a reduction in net investment return	\$ 1,328	\$ 1,517
Operating Activities (amounts included in Interest on the Consolidated Statement of Operating Expenses)		
Interest expense of debt (including payments on interest rate swap agreements) used to finance facilities projects	29,279	28,238
Interest expense on other operating indebtedness	123	685
Non-Operating Activities (amounts included in Non-operating expenses)		
Interest expense on debt used to finance student loans	1,406	1,406
Interest expense on other non-operating indebtedness	8,776	9,872
Total interest expense on the Consolidated Statement of Activities	\$ 40,912	\$ 41,718
<u>Consolidated Statements of Financial Position:</u>		
Interest paid on debt used to finance facilities projects capitalized in connection with various construction projects	\$ 967	\$ 1,086

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
2022	11,458
2023	11,640
2024	1,071
2025	970
2026	1,002
Thereafter	950,357
Total	\$ 976,498

Principal due after June 30, 2026, includes the following “balloon” payments due on Dartmouth’s indebtedness (in thousands):

June 30	Indebtedness	Payment
2028	NHHEFA 2017	\$ 37,660
2036	NHHEFA Series 2007B bonds	18,000
2038	2015 Series C&D bonds	89,515
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 bonds	165,000
2046	2016 Series A bonds	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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

Dartmouth is party to six interest rate swap agreements. Information related to these interest rate swap agreements as of June 30, 2021, 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
06/01/2027	\$ 31,840	3.77	72
06/01/2028	52,375	3.78	72
06/01/2032	100,000	3.75	67
06/01/2041	100,000	3.73	70
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, 2021 and 2020 based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately \$204,906,000 and \$275,052,000, respectively, and is considered a Level 2 measurement. The decrease in the liability of \$70,146,000 for the year ended June 30, 2021 is presented as a change in unrealized gain, and the increase in the liability of \$89,954,000 for the year ended June 30, 2020 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 \$94,070,000 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 December 2021 and June 2023. There were no amounts outstanding at June 30, 2021 and 2020 under these agreements.

Dartmouth has three lines of credit totaling \$350,000,000. The maturity dates range from December 31, 2021 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2021 or 2020.

**J. Employment and Retirement Obligations**

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

	2021	2020
Retirement medical benefits	\$ 226,774	\$ 225,635
Deferred compensation obligation	49,686	36,970
Compensated absences, Self-insured benefits and other commitments	41,424	43,670
<b>Total employment related obligations</b>	<b>\$ 317,884</b>	<b>\$ 306,275</b>

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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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 retirement 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 retirement medical benefits at June 30 include (in thousands):

	Pension Benefits		Retirement Medical Benefits	
	2021	2020	2021	2020
<b>Change in benefit obligation:</b>				
Beginning of year	\$ 141,736	\$ 134,853	\$ 225,635	\$ 277,372
Service cost	1,828	1,984	1,390	2,866
Interest cost	2,983	4,292	5,418	9,320
Benefits paid	(14,928)	(10,628)	(8,444)	(10,199)
Actuarial (gain)/loss	1,247	11,235	2,774	(53,724)
End of year	<u>\$ 132,866</u>	<u>\$ 141,736</u>	<u>\$ 226,773</u>	<u>\$ 225,635</u>
<b>Change in estimated fair value of plan assets:</b>				
Beginning of year	\$ 153,161	\$ 138,733	\$ -	\$ -
Actual return on plan assets	18,065	25,056	-	-
Employer contributions	-	-	8,444	10,199
Benefits paid	(14,928)	(10,628)	(8,444)	(10,199)
End of year	<u>\$ 156,298</u>	<u>\$ 153,161</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status (plan assets more (less) than benefit obligation)</b>	<u>\$ 23,432</u>	<u>\$ 11,425</u>	<u>\$ (226,773)</u>	<u>\$ (225,635)</u>

The pension asset of \$23,432,000 and \$11,425,000 as of June 30, 2021 and 2020, respectively, is included in Receivables and other assets, net, in the Consolidated Statement of Financial Position.

**Net periodic benefit (income) cost included the following:**

Operating - Service cost	\$ 1,828	\$ 1,984	\$ 1,390	\$ 2,866
Non-operating:				
Interest cost	2,983	4,292	5,418	9,320
Expected return on assets	(5,989)	(6,681)	-	-
Recognized net actuarial loss	474	52	(5,808)	(1,003)
Total non-operating	<u>\$ (2,532)</u>	<u>\$ (2,337)</u>	<u>\$ (390)</u>	<u>\$ 8,317</u>
Settlement charge/(credit)	(585)	-	-	-
Net periodic benefit cost (income)	<u>\$ (1,289)</u>	<u>\$ (353)</u>	<u>\$ 1,000</u>	<u>\$ 11,183</u>

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

	Pension Benefits		Retirement Medical Benefits	
	2021	2020	2021	2020
<b>Weighted-average assumptions for determining net periodic benefit cost:</b>				
Discount Rate – Benefit Obligation	2.78%	3.54%	3.06%	3.84%
Discount Rate – Service Cost	3.03%	3.73%	3.40%	4.18%
Discount Rate – Interest Cost	2.38%	3.33%	2.44%	3.41%
Expected return on plan assets	4.65%	5.30%	-	-
<b>Weighted-average assumptions for determining benefit obligations:</b>				
Rate of compensation increase	2.50%	2.50%	-	-
Discount rate used to determine benefit obligations	2.79%	2.78%	3.07%	3.06%

The increase in the retirement medical benefit obligation is primarily due to actual demographic experience reflecting more participants electing to take coverage than expected, actual 2021 Employer Group Waiver Plans subsidy amounts being lower than expected and interest cost. The increase is partially offset by reductions of the liability due to expected favorable 2021 claims and retiree contribution experience and expected payments made during the year, which are reflected in the 2021 actuarial loss of \$2,774,000.

The increase (decrease) in net assets without donor restrictions resulting from the change in pension and retirement medical benefit obligations consisted of the following (in thousands):

	Pension Benefits	Retirement Medical Benefits	Total 2021	Total 2020
Amounts recognized in non-operating activities:				
Net actuarial gain (loss)	\$ 10,828	\$ (2,774)	\$ 8,054	\$ 60,863
Amortization of gain	474	(5,808)	(5,334)	(951)
Settlement recognition of net actuarial (gain) loss	(585)	-	(585)	-
Amortization of prior service cost (credit)	-	-	-	-
Net periodic benefit cost other than service cost	2,532	390	2,922	(5,980)
Total non-operating gain (loss)	13,249	(8,192)	5,057	53,932
Amounts recognized in operating activities:				
Service cost	(1,828)	(1,390)	(3,218)	(4,850)
Total increase (decrease)	\$ 11,421	\$ (9,582)	\$ 1,839	\$ 49,082

The cumulative amounts in net assets without donor restrictions that have not yet been recognized as components of net periodic benefit cost are as follows (in thousands):

	Pension Benefits		Retirement Medical Benefits	
	2021	2020	2021	2020
Prior service cost	\$ -	\$ -	\$ -	\$ -
Net (gain)/loss	(10,788)	(70)	(83,907)	(92,489)
Total	\$ (10,788)	\$ (70)	\$ (83,907)	\$ (92,489)

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

The following table lists specified investment terms by asset category for defined benefit pension plan (the Plan) investments in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient as of June 30, 2021 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 104,821	Daily	2	\$ -
Global equity	43,875	Daily	2	-
Private equity / Venture capital	1,143	Illiquid	Not applicable	138
Total	<u>\$ 149,839</u>			<u>\$ 138</u>

In addition to the investments disclosed above, the Plan also holds \$6,459,000 in cash and cash equivalents at June 30, 2021, 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 (the Plan) investments in certain commingled funds and private partnership interests that are reported using NAV as the practical expedient as of June 30, 2020 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 88,910	Daily	2	\$ -
Global equity	58,928	Daily	2	-
Private equity / Venture capital	1,013	Illiquid	Not applicable	154
Total	<u>\$ 148,851</u>			<u>\$ 154</u>

In addition to the investments disclosed above, the Plan also holds \$4,310,000 in cash and cash equivalents at June 30, 2020, which is classified as a Level 1 investment in the fair value hierarchy.

The overall investment strategy of 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 may make annual contributions to maintain funding for the defined benefit plan, taking into account investment and actuarial information, including minimum funding requirements. Dartmouth currently does not expect to contribute to the Plan in fiscal year 2022.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

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	Retirement Medical Benefits
2022	9,800	8,700
2023	9,000	9,000
2024	8,500	9,300
2025	8,900	9,700
2026	8,800	10,000
Years 2027 – 2031	41,300	55,100

The accumulated benefit obligation (ABO) of the defined benefit plan was \$128,163,000 and \$136,832,000 as of June 30, 2021 and 2020, respectively.

Assumed health care cost trend rates have a significant effect on the estimated amounts reported for the retirement medical benefit plan. The medical cost trend rates for pre-age 65 and post-age 65 retirees, respectively, are assumed to be 6.23% and 6.50% in year 2021, decrease gradually to 4.5% and 4.5% in fiscal year 2029, respectively, and remain level thereafter. Dartmouth's estimate of retirement medical 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 retirement medical benefit plans with qualifying drug coverage.

Dartmouth estimates 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.

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, 2021 and 2020 were \$27,231,000 and \$27,727,000, respectively. Dartmouth also maintains deferred compensation plans. The liabilities for the plans are included in pension and other employment related obligations in the Consolidated Statements of Financial Position.

**K. Other Operating Income**

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

	2021	2020
Medical School services and other support	\$ 15,853	\$ 17,699
Foreign study and continuing education programs	6,510	9,446
Student activities and other program revenues	13,787	13,054
Athletics revenues	949	3,956
Hopkins Center and Hood Museum revenues	114	805
Other revenues	22,140	20,731
Investment income	147,490	36,634
<b>Total other operating income</b>	<b>\$ 206,843</b>	<b>\$ 102,325</b>

Other operating income related to program revenue is recognized over the period during which the services are provided.



Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

**L. Net Assets**

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

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Detail of net assets:</b>			
Operating funds	\$ 357,166	\$ 140,151	\$ 497,317
Pledges	-	371,543	371,543
Postretirement and pension benefit obligations	(203,345)	-	(203,345)
Third-party charitable trusts	-	13,529	13,529
Facilities and capital	501,895	179,332	681,227
Interest rate swap agreements	(204,906)	-	(204,906)
Student loan funds	31,938	19,233	51,171
Other non-operating activities	175,986	55,898	231,884
Life income, annuity, and similar funds	-	120,530	120,530
Endowment funds	1,912,300	6,571,890	8,484,190
<b>Total net assets</b>	<b>\$ 2,571,034</b>	<b>\$ 7,472,106</b>	<b>\$ 10,043,140</b>

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Detail of net assets:</b>			
Operating funds	\$ 302,826	\$ 115,958	\$ 418,784
Pledges	-	372,453	372,453
Postretirement and pension benefit obligations	(214,214)	-	(214,214)
Third-party charitable trusts	-	9,412	9,412
Facilities and capital	358,840	151,704	510,544
Interest rate swap agreements	(275,052)	-	(275,052)
Student loan funds	25,209	19,157	44,366
Other non-operating activities	176,172	67,769	243,941
Life income, annuity, and similar funds	-	98,961	98,961
Endowment funds	1,355,280	4,619,900	5,975,180
<b>Total net assets</b>	<b>\$ 1,729,061</b>	<b>\$ 5,455,314</b>	<b>\$ 7,184,375</b>

**M. Commitments and Contingencies**

Outstanding commitments on uncompleted construction contracts total \$111,990,000 at June 30, 2021.

Investment related commitments as of June 30, 2021 and 2020 are disclosed in the Fair Value NAV tables in Note D, Investments.

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.

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2021 and 2020

---

**N. 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 for goods or services purchased or benefits provided in the ordinary course of the business of Dartmouth, for the actual or reasonable value of the goods or services or for a discounted value, based on terms that are fair and reasonable to and in the best interest of Dartmouth, and in accordance with applicable conflict of interest laws.

**O. Environmental Remediation and Related Costs**

From the mid-1960s until 1978, Dartmouth used a quarter-acre portion of a 223-acre piece of property it owns in Hanover, NH (known as "Rennie Farm") as a licensed burial site for animal carcasses used in medical and other research. Site remediation was approved by the New Hampshire Department of Health and Human Services, Radiological Health Section (RHS) and began in late October 2011. In November 2011, unexpected chemical waste was encountered. Dartmouth has continued to monitor groundwater quality and has conducted a phased investigation consistent with state environmental requirements. During fiscal year 2017 Dartmouth completed the installation of a pump and treat system to treat and remove contaminated groundwater from the source area. In fiscal year 2020, Dartmouth began expansion of the pump and treat system to capture site-related groundwater contamination beyond the source area. The expansion of the system is anticipated to be complete during fiscal year 2021. Dartmouth will remediate the site and continue monitoring groundwater wells and selected drinking water supply wells with oversight from New Hampshire Department of Environmental Services.

In February 2017, Dartmouth College established a Value Assurance Program ("VAP") to protect the value of eligible properties located in the Rennie Farm neighborhood. The VAP, which is a voluntary program, will run until February of 2027. Under the terms of the VAP, owners of eligible properties who meet certain requirements will be compensated if they are unable to sell their home at market value due to the Rennie Farm remediation. If an owner of an eligible property is unable to sell his/her home after meeting certain requirements, Dartmouth College will purchase the property.

During fiscal year 2017, Dartmouth accrued \$21,810,000 for estimated future costs of all remediation activities as well as an estimate of expenses of the VAP. The accrued liabilities are reported in the accounts payable and other liabilities line in the Consolidated Statement of Financial Position. As of June 30, 2021, the remaining liability for estimated future remediation and VAP expenses was \$16,700,000. Actual future remediation and VAP expenses could differ from this amount.

**P. Impact of COVID-19 Pandemic**

The continuation of the COVID-19 pandemic has caused domestic and global disruptions in operations for institutions of higher education. The long-term effect to Dartmouth of the COVID-19 pandemic depends on various factors, including, but not limited to, the effect on student enrollment, the effect on demand for programs that involve travel or that have international connections, and the long-term effect on financial markets and consequently the returns on and value of Dartmouth's investments, which cannot be fully quantified at this time. As of June 30, 2021, and through the date of these financial statements, Dartmouth has evaluated its accounting estimates for any potential future impacts of the pandemic. While this evaluation did not result in a material effect to the financial statements as of June 30, 2021, future evaluations could result in a material effect depending on the eventual impact to Dartmouth of the pandemic in future periods.

**Q. Subsequent Events**

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to June 30, 2021 and through October 25, 2021, the date on which the consolidated financial statements were issued, and has concluded that there were no subsequent events requiring adjustment or disclosure.