

# TRUSTEES OF DARTMOUTH COLLEGE

Financial Statements

2021 - 2022





## Report of Independent Auditors

To the Board of Trustees of Dartmouth College

### **Opinion**

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, 2022 and 2021 and the related consolidated statements of activities for the year ended June 30, 2022, of expenses and of cash flows for the years ended June 30, 2022 and 2021, including the related notes (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Dartmouth as of June 30, 2022 and 2021, the changes in its net assets for the year ended June 30, 2022, and its cash flows for the years ended June 30, 2022 and 2021 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Dartmouth and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Other Matter**

We previously audited the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, expenses and cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 25, 2021, 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, 2021 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

### **Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dartmouth’s ability to continue as a going concern for one year after the date the financial statements are issued.



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the Dartmouth audit 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, no such opinion is expressed.
- Evaluate 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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Dartmouth's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
October 31, 2022

## Trustees of Dartmouth College

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### Consolidated Statements of Financial Position

As of June 30, 2022 and June 30, 2021  
(in thousands)

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	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 384,595	\$ 299,517
Receivables and other assets, net	133,421	170,816
Pledges receivable, net	421,289	371,543
Investments	9,289,233	9,862,013
Land, buildings, equipment, and construction in progress, net	1,216,681	1,157,347
<b>Total assets</b>	<u>\$ 11,445,219</u>	<u>\$ 11,861,236</u>
<b>Liabilities</b>		
Accounts payable and other liabilities	\$ 162,920	\$ 148,889
Deferred revenues and deposits	41,518	47,831
Liability for split-interest agreements	44,929	54,415
Employment and retirement benefits	288,189	317,884
Bonds, mortgages, and notes payable, net	998,206	1,010,414
Interest rate swap liabilities	107,700	204,906
Conditional asset retirement obligations	24,239	23,692
Government advances for student loans	8,261	10,065
<b>Total liabilities</b>	<u>1,675,962</u>	<u>1,818,096</u>
<b>Net Assets</b>		
Without donor restrictions	2,716,236	2,571,034
With donor restrictions	7,053,021	7,472,106
<b>Total net assets</b>	<u>9,769,257</u>	<u>10,043,140</u>
<b>Total liabilities and net assets</b>	<u>\$ 11,445,219</u>	<u>\$ 11,861,236</u>

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See accompanying notes to the consolidated financial statements.

## Trustees of Dartmouth College

### Consolidated Statement of Activities

For the year ended June 30, 2022, with summarized financial information for the year ended June 30, 2021  
(in thousands)

	Without donor restrictions	With donor restrictions	Total	
			2022	2021
<b>Endowment Activities</b>				
Gifts	\$ 69	\$ 122,211	\$ 122,280	\$ 78,860
Net investment return	( 59,453)	( 209,781)	( 269,234)	2,702,437
Distributed for spending	( 76,005)	( 259,596)	( 335,601)	( 289,707)
Other changes	668	( 14,706)	( 14,038)	( 11,015)
Amounts transferred from other funds, net	38,314	39,832	78,146	28,435
<b>Change in net assets from endowment activities</b>	<b>( 96,407)</b>	<b>( 322,040)</b>	<b>( 418,447)</b>	<b>2,509,010</b>
<b>Operating Activities</b>				
Revenues and other support				
Tuition and fees, net of scholarships of \$204,768 in 2022 and \$172,145 in 2021				
	252,544	-	252,544	228,042
Sponsored research grants and contracts	169,436	-	169,436	163,553
Dartmouth College Fund and other gifts	82,229	22,890	105,119	106,228
Distributed endowment investment return	318,270	15,059	333,329	287,512
Other operating income	54,222	2,606	56,828	206,843
Auxiliaries	90,135	-	90,135	36,408
Net assets released from restrictions	17,415	( 17,415)	-	-
Total revenues and other support	984,251	23,140	1,007,391	1,028,586
Expenses				
Academic and student programs	616,068	-	616,068	541,197
Sponsored programs	113,784	-	113,784	112,104
General institutional services	108,587	-	108,587	94,270
Auxiliaries	97,440	-	97,440	67,543
Total expenses	935,879	-	935,879	815,114
<b>Change in net assets from operating activities</b>	<b>48,372</b>	<b>23,140</b>	<b>71,512</b>	<b>213,472</b>
<b>Non-operating Activities</b>				
Gifts	-	59,883	59,883	74,094
Distributed endowment investment return	694	1,578	2,272	2,195
Revenue and other non-operating changes, net	( 17,058)	8,403	( 8,655)	63,916
Non-operating expenses	( 23,356)	( 969)	( 24,325)	( 61,848)
Other components of net periodic benefit cost	2,043	-	2,043	2,922
Increase (decrease) in outstanding pledges, net	-	49,746	49,746	( 910)
Pension and postretirement benefit related changes other than net periodic benefit cost	7,868	-	7,868	2,721
Change in unrealized gain (loss) related to interest rate swap agreements	97,206	-	97,206	70,146
Net assets released from restrictions	152,656	( 152,656)	-	-
Amounts transferred to endowment, net	( 27,302)	( 50,844)	( 78,146)	( 28,435)
Net change in split-interest agreements	486	( 35,326)	( 34,840)	11,482
<b>Change in net assets from non-operating activities</b>	<b>193,237</b>	<b>( 120,185)</b>	<b>73,052</b>	<b>136,283</b>
<b>Change in net assets</b>	<b>145,202</b>	<b>( 419,085)</b>	<b>( 273,883)</b>	<b>2,858,765</b>
<b>Net Assets, beginning of year</b>	<b>2,571,034</b>	<b>7,472,106</b>	<b>10,043,140</b>	<b>7,184,375</b>
<b>Net Assets, end of year</b>	<b>\$ 2,716,236</b>	<b>\$ 7,053,021</b>	<b>\$ 9,769,257</b>	<b>\$ 10,043,140</b>

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

**Consolidated Statement of Expenses**

For the year ended June 30, 2022

(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	\$ 268,673	\$ 53,498	\$ 31,285	\$ 21,682	\$ 26,363	\$ 79,330	\$ 17,009	\$ 418,510	\$ -	\$ 418,510
Employee benefits	78,829	15,715	9,162	6,361	7,735	23,258	4,990	122,792	(2,043)	120,749
Fellowships and student support	15,851	3,686	-	-	-	-	-	19,537	-	19,537
Materials, equipment, and supplies	38,707	9,543	7,940	2,997	1,416	12,353	18,608	79,211	302	79,513
Purchased services	66,307	29,561	12,358	7,261	3,747	23,366	9,828	129,062	1,207	130,269
Utilities, taxes, and occupancy	1,609	50	-	31,699	27	31,726	9,601	42,986	118	43,104
Depreciation and amortization	47,102	-	1,214	2,514	528	4,256	13,252	64,610	-	64,610
Lodging, travel, and similar costs	17,293	1,353	651	39	878	1,568	237	20,451	1	20,452
Interest	5	-	-	28,194	-	28,194	1,408	29,607	9,845	39,452
Other expenses	4,611	378	2,122	858	533	3,513	611	9,113	12,852	21,965
	538,987	113,784	64,732	101,605	41,227	207,564	75,544	935,879	22,282	958,161
Facilities operation & maintenance	77,081	-	1,773	(101,605)	855	(98,977)	21,896	-	-	-
<b>Total expenses for FY22</b>	<b>\$ 616,068</b>	<b>\$ 113,784</b>	<b>\$ 66,505</b>	<b>\$ -</b>	<b>\$ 42,082</b>	<b>\$ 108,587</b>	<b>\$ 97,440</b>	<b>\$ 935,879</b>	<b>\$ 22,282</b>	<b>\$ 958,161</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 Statements of Cash Flows

For the years ended June 30, 2022 and June 30, 2021

(in thousands)

	2022	2021
<b>Cash flows from operating activities</b>		
Total change in net assets	\$ (273,883)	\$ 2,858,765
Adjustments to reconcile total change in net assets to net cash used in operating activities:		
Depreciation and amortization	62,711	64,197
Change in estimated value of interest rate swap agreements	(97,206)	(70,146)
Change in estimated pension and post-retirement benefit obligation	(30,615)	1,138
Net change in split-interest liability	(9,486)	6,710
Change in pledges receivable, net	(49,746)	910
Other non-cash transactions	1,054	2,168
Contributed securities	(58,424)	(64,451)
Contributions, investment income, and other changes restricted for long-term investment	(213,147)	(139,407)
Net realized (gains) losses and changes in net unrealized (gains) losses	420,755	(2,910,435)
Changes in operating assets and liabilities:		
Receivables and other assets, net	32,516	(25,449)
Accounts payable and other liabilities	13,991	19,479
Deferred revenues and deposits	(6,313)	8,907
Employment related obligations	919	10,471
Net cash used in operating activities	<u>(206,874)</u>	<u>(237,143)</u>
<b>Cash flows from investing activities</b>		
Student loans granted	(3,411)	(3,579)
Student loans repaid	6,747	5,956
Purchases of land, buildings, and equipment	(121,555)	(156,887)
Purchases of investments	(7,451,391)	(6,741,077)
Sales and maturities of investments	7,662,394	7,025,490
Net cash provided by investing activities	<u>92,784</u>	<u>129,903</u>
<b>Cash flows from financing activities</b>		
Repayment of debt	( 11,456)	(56,209)
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	25,533	37,189
Endowment, life income, and similar funds	187,614	102,218
Finance lease principal payments	(164)	(119)
Changes in government advances for student loans	(1,804)	(2,752)
Net cash provided by financing activities	<u>199,723</u>	<u>80,327</u>
<b>Net change in cash and cash equivalents</b>	85,633	(26,913)
Cash and cash equivalents, beginning of year	318,718	345,631
Cash and cash equivalents, end of year	<u>\$ 404,351</u>	<u>\$ 318,718</u>
<b>Supplemental information on cash and cash equivalents:</b>		
Cash and cash equivalents as shown in the Statement of Financial Position	\$ 384,595	\$ 299,517
Cash and cash equivalents included in Investments	19,756	19,201
Cash and cash equivalents as shown on the Statement of Cash Flows	<u>\$ 404,351</u>	<u>\$ 318,718</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 42,136	\$ 42,608
Accounts payable related building and equipment additions	\$ 1,290	\$ 5,717
Fair value of securities received	\$ 257,629	\$ 236,721

See accompanying notes to the consolidated financial statements.



Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2022 and 2021

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**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 4,600 undergraduate and 2,200 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 (DELCO), 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 2022 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, 2021, from which the summarized information was derived.

**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

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
For the years ended June 30, 2022 and 2021

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financial statements are the fair value of investments, interest rate swap agreements, pension and retirement medical benefit obligations, conditional asset retirement obligations, liabilities for self-insured programs and split-interest agreements, and allowances for uncollectible accounts and pledges receivable. Actual results could differ materially from these estimates, particularly during periods of investment and/or interest rate volatility.

**Recent Accounting Pronouncements**

In fiscal year 2022, Dartmouth adopted ASU 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software*, which provides guidance for capitalizing implementation costs for a cloud computing arrangement. The adoption of this standard did not have a significant impact on Dartmouth’s financial statements.

In fiscal year 2022, Dartmouth adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which provides guidance for the presentation and disclosure of gifts-in-kind. The adoption of this standard did not have a significant impact on Dartmouth’s financial statements.

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.

**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, 2022 and 2021

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**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 66 and 63 percent of tuition and fees revenue for the years ended June 30, 2022 and 2021, 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 \$9,155,000 and \$7,114,000 for the years ended June 30, 2022 and 2021, 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. 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, 2022 and 2021, Dartmouth had unrecorded conditional sponsored research agreements of \$92,942,000 and \$117,796,000, 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 June 30, 2022. Dartmouth recovered facilities and administrative costs of approximately \$47,627,000 and \$45,206,000 during the years ended June 30, 2022 and 2021, 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, 2022, tax years ended June 30, 2019 through June 30, 2021 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. As of June 30, 2022,

Trustees of Dartmouth College  
Notes to Consolidated Financial Statements  
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Dartmouth has accrued an estimated liability for unrelated business income taxes payable of \$244,780, excise taxes payable of \$6,547,000, and a deferred tax liability of \$41,621,000. As of June 30, 2021, Dartmouth accrued an estimated tax 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.

**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, 2022 and 2021, Dartmouth paid approximately \$12,400,000 and \$11,600,000, respectively, and received approximately \$11,600,000 and \$10,200,000, 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**

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

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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.

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.

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

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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 3.6% and 1.2% for June 30, 2022 and 2021, 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.

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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):

	2022	2021
Student accounts	\$ 6,132	\$ 6,762
Sponsored research grants and contracts	20,317	24,052
Other accounts	46,558	73,087
Notes and student loans	46,577	49,913
Less: allowance for uncollectible accounts	(1,578)	(1,764)
Receivables, net	\$ 118,006	\$ 152,050
Prepaid costs, inventories, and other assets	15,415	18,766
<b>Total receivables and other assets, net</b>	<b>\$ 133,421</b>	<b>\$ 170,816</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 \$1,454,000 of the government advance during fiscal year 2022. 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):

	2022	2021
Gifts to support operations	\$ 105,119	\$ 106,228
Gifts for:		
Facilities and student loans	25,533	37,189
Other restricted uses	26,666	22,567
Endowment	122,280	78,860
Split-interest agreements	7,684	14,338
<b>Total gifts</b>	<b>\$ 287,282</b>	<b>\$ 259,182</b>

Unconditional pledges as of June 30 are expected to be realized in the following periods, discounted at rates ranging from 0.3% to 6.2% (in thousands):

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	2022	2021
In one year or less	\$ 152,952	\$ 141,524
Between one year and five years	264,996	214,554
Six years and after	53,749	48,784
Gross pledges receivable	\$ 471,697	\$ 404,862
Less: present value discount	(17,964)	(9,382)
Less: allowance for uncollectible pledges	(32,444)	(23,937)
<b>Pledges receivable, net</b>	<b>\$ 421,289</b>	<b>\$ 371,543</b>

At June 30, 2022 and 2021, Dartmouth had non-legally binding bequests, of \$439,133,000 and \$377,047,000, 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 natural resource or renewable investments through limited partnerships, commingled funds and/or public index exposure.

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

	2022	2021
Endowment investments	\$ 8,099,182	\$ 8,520,121
Split-interest agreement investments	137,786	172,519
Operating and other investments	1,052,265	1,169,373
<b>Total investments</b>	<b>\$ 9,289,233</b>	<b>\$ 9,862,013</b>



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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, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	\$ 326,003	\$ -	\$ -	\$ 326,003
Fixed income	511,267	173,698	40	685,005
Global equity:				
US equity	315,492	-	136	315,628
International	56,803	-	-	56,803
Emerging markets	9,821	-	-	9,821
Private equity/Venture capital	-	-	72,183	72,183
Real assets:				
Real estate	13,395	-	207,458	220,853
Other real assets	8	-	-	8
Other investments	-	-	184	184
Derivative assets (liabilities)	2,091	572	-	2,663
Subtotal	\$ 1,234,880	\$ 174,270	\$ 280,001	\$ 1,689,151
Investment receivables				106,538
Investment payables				(141,289)
Investments at NAV				7,463,322
Investments at donated value/cost less impairment				171,511
Total Investments	\$ 1,234,880	\$ 174,270	\$ 280,001	\$ 9,289,233

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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	<u>\$ 957,217</u>	<u>\$ 201,103</u>	<u>\$ 273,632</u>	<u>\$ 1,431,952</u>
Contributions in advance				60,000
Investment receivables				115,881
Investment payables				(89,936)
Investments at NAV				8,172,605
Investments at donated value and cost less impairment				<u>171,511</u>
Total Investments	<u>\$ 957,217</u>	<u>\$ 201,103</u>	<u>\$ 273,632</u>	<u>\$ 9,862,013</u>

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, including certain illiquid investments where the timing of liquidity is unknown. The investments are reported using NAV as the practical expedient to estimate fair value as of June 30, 2022 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 74,004	Monthly	30 – 40	\$ -
Global equity:				
US equity <sup>1</sup>	699,736	Ranges from quarterly to bi-annual	60 – 105	23,780
International <sup>2</sup>	243,468	Ranges from semi-monthly to quarterly	3 – 180	-
Emerging markets <sup>3</sup>	391,359	Ranges from monthly to annually	30 – 180	-
Hedge funds <sup>4</sup>	1,670,877	Ranges from monthly to annually; illiquid	30 – 90	16,458
Private equity / Venture capital	3,423,118	Illiquid	Not applicable	797,704
Real assets:				
Real estate	417,906	Illiquid	Not applicable	335,457
Other real assets	542,854	Illiquid	Not applicable	72,627
Total	<u>\$ 7,463,322</u>			<u>\$ 1,246,026</u>

<sup>1</sup> US equity includes funds that have restrictions on the ability to fully redeem up to three years, excluding illiquid securities and special investments.

<sup>2</sup> International includes funds that have restrictions on the ability to fully redeem up to one year, excluding illiquid securities and special investments.

<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.

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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, including certain illiquid investments where the timing of liquidity is unknown. The investments 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	<u>\$ 8,172,605</u>			<u>\$ 1,300,641</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, 2022 and June 30, 2021, 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, 2022 and 2021 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, 2021	\$ 38	\$ 112	\$ 199,641	\$ 73,657	\$ 184	\$ 273,632
Acquisitions / purchases	-	25	840	6,919	-	7,784
Distributions / sales	-	-	(3,412)	-	-	(3,412)
Transfers out	-	-	-	(2,016)	-	(2,016)
Realized gain/(loss)	-	(4)	985	-	-	981
Change in unrealized gain/(loss)	2	3	9,404	(6,377)	-	3,032
Balance as of June 30, 2022	<u>\$ 40</u>	<u>\$ 136</u>	<u>\$ 207,458</u>	<u>\$ 72,183</u>	<u>\$ 184</u>	<u>\$ 280,001</u>

	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>

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Cumulative unrealized gains related to Level 3 investments totaled \$86,175,000 and \$80,489,000 as of June 30, 2022 and 2021, respectively. The net change in unrealized gains/(losses) related to Level 3 investments held at June 30, 2022, and June 30, 2021 was \$5,686,000 and \$45,554,000, respectively. For fiscal year 2022, transfers out of Level 3 are primarily due to increased availability of NAV reporting or sales.

The following tables summarize quantitative inputs and assumptions used for Level 3 investments at June 30, 2022 and 2021 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, 2022 (in thousands):

Asset Class	Fair Value <sup>1</sup>	Valuation Technique	Unobservable Inputs	Input Value(s)	Weighted Average
Real Estate	\$ 182,111	Third party appraisal-income capitalization approach	Capitalization rate	6.75 – 8.5%	7.41%
	24,206	Third party appraisal-comparable sales	Market value per square foot		
	1,142	Third party appraisal-adjusted cost	Discount rate	25.00%	25.00%
Private Equity	46,048	Market comparables	EBITDA multiple	13.4x – 18.2x	16.8x
	14,075	Market comparables	Revenue multiple	6.2x – 6.6x	6.4x
	9,559	Discounted cash flow	Weighted average cost of capital	12.0%	12.0%
Total	<u>\$ 277,141</u>				

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

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.

For June 30, 2022 and 2021 certain level 3 investments are valued at cost totaling \$2,860,000 and \$8,333,000 respectively and are excluded from the above tables.

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The following tables set forth the fair value of Dartmouth's derivative instruments for investment purposes by contract type as of June 30, 2022 and 2021 and gains/(losses) related to derivative activities for the years ended June 30, 2022 and 2021 (in thousands):

June 30, 2022:

	Notional Exposure		Fair Value <sup>1</sup>		Net Gain/(Loss) <sup>2</sup>
	Long	Short	Asset	Liability	
Foreign currency contracts	\$ 22,594	\$ (72,171)	\$ 2,673	\$ (27)	\$ 10,949
Fixed income futures contracts	111,026	(97,201)	1,122	(770)	3,721
Equity Futures	-	-	-	-	(7,095)
Interest rate swaps <sup>3</sup>	620	-	132	-	141
Credit default swaps	11,915	(3,415)	298	(765)	(457)
Total	<u>\$ 146,155</u>	<u>\$ (172,787)</u>	<u>\$ 4,225</u>	<u>\$ (1,562)</u>	<u>\$ 7,259</u>

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>

<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/or interest rate risk, as well as to efficiently implement active duration and relative value 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, 2022 and 2021, 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.

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**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, 2021	\$ 1,912,300	\$ 6,571,890	\$ 8,484,190
Investment return, net	(59,453)	(209,781)	(269,234)
Gifts	69	122,211	122,280
Distribution of endowment return	(76,005)	(259,596)	(335,601)
Transfers and other changes, net	38,982	25,126	64,108
<b>Endowment net assets, June 30, 2022</b>	<b>\$ 1,815,893</b>	<b>\$ 6,249,850</b>	<b>\$ 8,065,743</b>

	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>

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, 2022 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	\$ 1,815,893	\$ -	\$ 1,815,893
Donor-restricted funds			
Accumulated investment gains	-	4,095,017	4,095,017
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,154,833	2,154,833
<b>Total endowment net assets</b>	<b>\$ 1,815,893</b>	<b>\$ 6,249,850</b>	<b>\$ 8,065,743</b>

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>

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The classification of endowment net assets by purpose as of June 30, 2022 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Teaching and Research	\$ 576,202	\$ 2,601,116	\$ 3,177,318
Financial Aid	74,339	1,863,116	1,937,455
Academic and Student Support	143,335	665,181	808,516
Operations and Facilities	1,022,017	1,120,437	2,142,454
<b>Endowment net assets, June 30, 2022</b>	<b>\$ 1,815,893</b>	<b>\$ 6,249,850</b>	<b>\$ 8,065,743</b>

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>

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, 2022, and 2021, there were \$5,025,000 and \$0, respectively, in 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 2022 endowment distribution of \$335,601,000 represents a 4.0% 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.

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

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

	2022	2021
Land	\$ 20,955	\$ 20,955
Buildings	1,540,590	1,521,538
Land improvements	129,319	127,956
Equipment and software	401,414	393,857
Land, buildings, and equipment	\$ 2,092,278	\$ 2,064,306
Less: accumulated depreciation	(1,204,953)	(1,141,656)
Construction in progress	329,356	234,697
<b>Total net book value</b>	<b>\$ 1,216,681</b>	<b>\$ 1,157,347</b>

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 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, 2022, Right-of-Use assets recorded on the Statement of Financial Position were \$1,283,000 for operating leases and \$535,000 for finance leases, with Lease liabilities of \$1,150,000 for operating leases and \$539,000 for 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, 2022 the weighted average remaining lease term was 2.8 years for operating leases and 3.6 years for finance leases, with a weighted average discount rate of 1.08% for operating leases and 1.73% 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, 2022 operating lease expense totaled \$1,152,000 and finance lease expense totaled \$156,000, with \$145,000 of amortization expense and \$11,000 of interest expense. 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.



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Future minimum lease payments at June 30, 2022 are as follows (in thousands):

June 30	Payment
2023	\$ 814
2024	410
2025	236
2026	173
2027	53
Thereafter	18

**H. Liquidity and Availability of Resources**

As of June 30, 2022 and 2021, 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):

	2022	2021
Financial assets:		
Cash and liquid operating investments	\$ 1,005,332	\$ 999,204
Notes and accounts receivable, net	52,822	74,115
Contributions receivable	127,460	119,915
Taxable debt (unexpended)	213,555	245,248
Approved endowment payout for following year	394,618	334,786
Total financial assets available within one year	\$ 1,793,787	\$ 1,773,268
Liquidity resources:		
Taxable commercial paper (undrawn)	120,000	120,000
Bank lines of credit	350,000	350,000
Total financial assets and liquidity resources available within one year	\$ 2,263,787	\$ 2,243,268

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 30, 2022 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2022 or 2021.

Additionally, Dartmouth has board-designated endowment funds of \$1,815,893,000. 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.

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

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

	Fiscal Year Maturity	2022 Interest Rate	2022	2021
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% - 0.92%	9,670	19,070
Series 2007B	2041	0.01% - 0.08%	75,000	75,000
Series 2015AB	2040	0.60% - 1.38%	101,000	101,000
Series 2015CD	2038	0.60% - 1.38%	89,515	89,515
Series 2016A	2043	0.72% - 1.22%	165,000	165,000
<b>Subtotal tax-exempt bonds</b>			<b>\$ 477,845</b>	<b>\$ 487,245</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>\$ 947,845</b>	<b>\$ 957,245</b>
Mortgages on real estate investments:				
Fixed Rate	2024 – 2037	2.87% - 4.94%	17,197	19,253
Taxable commercial paper note:				
Variable Rate		0.10% - 0.23%	30,000	30,000
<b>Subtotal bonds, mortgages and notes payable</b>			<b>\$ 995,042</b>	<b>\$ 1,006,498</b>
Original issue premium, net			5,364	6,279
Unamortized debt issuance costs			(2,200)	(2,363)
<b>Total bonds, mortgages, and notes payable, net</b>			<b>\$ 998,206</b>	<b>\$ 1,010,414</b>

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

	2022	2021
<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	\$ 1,167	\$ 1,328
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	30,222	29,279
Interest expense on other operating indebtedness	196	123
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	8,102	8,776
Total interest expense on the Consolidated Statement of Activities	\$ 41,093	\$ 40,912
<u>Consolidated Statements of Financial Position:</u>		
Interest paid on debt used to finance facilities projects capitalized in connection with various construction projects	\$ 1,130	\$ 967

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
2023	11,640
2024	1,072
2025	970
2026	1,003
2027	1,036
Thereafter	949,321
Total	\$ 965,042

Principal due after June 30, 2027, 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

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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.

Dartmouth is party to six interest rate swap agreements. Information related to these interest rate swap agreements as of June 30, 2022, 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	\$ 31,885	3.77	72
06/01/2028	52,505	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, 2022 and 2021 based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately \$107,700,000 and \$204,906,000, respectively, and is considered a Level 2 measurement. The decreases in the liability of \$97,206,000 and \$70,146,000 for the years ended June 30, 2022 and 2021 are presented as a change in unrealized gain 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 \$84,670,000 to provide alternative liquidity to support its variable rate demand bonds in the event that the bonds cannot be remarketed. Financing obtained through these stand-by credit agreements to fund the repurchase of such bonds would bear interest rates different from those associated with the original bond issues and mature over a three or a five-year period following repurchase. The agreements have various maturity dates between June 2023 and December 2024. There were no amounts outstanding at June 30, 2022 and 2021 under these agreements.

Dartmouth has three lines of credit totaling \$350,000,000. The maturity dates range from December 30, 2022 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2022 or 2021.

**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):

	2022	2021
Retirement medical benefits	\$ 196,159	\$ 226,774
Deferred compensation obligation	45,106	49,686
Compensated absences, Self-insured benefits and other commitments	46,924	41,424
<b>Total employment related obligations</b>	<b>\$ 288,189</b>	<b>\$ 317,884</b>

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In fiscal year 1998, Dartmouth revised its pension benefit for staff and non-union service employees, giving each participant a one-time option to either remain in the defined benefit plan or enroll in the defined contribution plan effective January 1, 1998.

Staff and non-union service employees hired since that date receive retirement benefits under the defined contribution plan. Effective January 1, 2006, all union employees are enrolled in the defined contribution plan.

Dartmouth's 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	
	2022	2021	2022	2021
<b>Change in benefit obligation:</b>				
Beginning of year	\$ 132,866	\$ 141,736	\$ 226,773	\$ 225,635
Service cost	1,514	1,828	1,211	1,390
Interest cost	3,219	2,983	5,332	5,418
Benefits paid	(11,297)	(14,928)	(11,681)	(8,444)
Actuarial (gain)/loss	(23,841)	1,247	(25,476)	2,774
End of year	\$ 102,461	\$ 132,866	\$ 196,159	\$ 226,773
<b>Change in estimated fair value of plan assets:</b>				
Beginning of year	\$ 156,298	\$ 153,161	\$ -	\$ -
Actual return on plan assets	(30,856)	18,065	-	-
Employer contributions	-	-	11,681	8,444
Benefits paid	(11,297)	(14,928)	(11,681)	(8,444)
End of year	\$ 114,145	\$ 156,298	\$ -	\$ -
<b>Funded status (plan assets more (less) than benefit obligation)</b>	\$ 11,684	\$ 23,432	\$ (196,159)	\$ (226,773)

The pension asset of \$11,684,000 and \$23,432,000 as of June 30, 2022 and 2021, 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	\$ 1,514	\$ 1,828	\$ 1,211	\$ 1,390
Non-operating:				
Interest cost	3,219	2,983	5,332	5,418
Expected return on assets	(5,631)	(5,989)	-	-
Recognized net actuarial loss	-	474	(4,963)	(5,808)
Total non-operating	\$ (2,412)	\$ (2,532)	\$ 369	\$ (390)
Settlement charge/(credit)	(215)	(585)	-	-
Net periodic benefit cost (income)	\$ (1,113)	\$ (1,289)	\$ 1,580	\$ 1,000

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	Pension Benefits		Retirement Medical Benefits	
	2022	2021	2022	2021
<b>Weighted-average assumptions for determining net periodic benefit cost:</b>				
Discount Rate – Benefit Obligation	2.79%	2.78%	3.07%	3.06%
Discount Rate – Service Cost	3.08%	3.03%	3.50%	3.40%
Discount Rate – Interest Cost	2.34%	2.38%	2.40%	2.44%
Expected return on plan assets	4.15%	4.65%	-	-
<b>Weighted-average assumptions for determining benefit obligations:</b>				
Rate of compensation increase	2.50%	2.50%	-	-
Discount rate used to determine benefit obligations	4.79%	2.79%	4.82%	3.07%

The decrease in the retirement medical benefit obligation is primarily due to an increase in the discount rate used to determine benefit obligations, which increased to 4.82% in 2022, compared to 3.07% in 2021. The decrease is partially offset by an increase in inflation rates and claim expectations.

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 2022	Total 2021
Amounts recognized in non-operating activities:				
Net actuarial gain (loss)	\$ (12,646)	\$ 25,476	\$ 12,830	\$ 8,054
Amortization of gain	-	(4,963)	(4,963)	(5,334)
Settlement recognition of net actuarial (gain) loss	215	-	215	(585)
Net periodic benefit cost other than service cost	2,412	(369)	2,043	2,922
Total non-operating gain (loss)	(10,019)	20,144	10,125	5,057
Amounts recognized in operating activities:				
Service cost	(1,514)	(1,211)	(2,725)	(3,218)
Total increase (decrease)	\$ (11,533)	\$ 18,933	\$ 7,400	\$ 1,839

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	
	2022	2021	2022	2021
Net (gain)/loss	\$ 2,074	\$ (10,788)	\$ (104,422)	\$ (83,907)
Total	\$ 2,074	\$ (10,788)	\$ (104,422)	\$ (83,907)

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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, 2022 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 78,233	Daily	2	\$ -
Global equity	31,570	Daily	2	-
Private equity / Venture capital	957	Illiquid	Not applicable	138
Total	<u>\$ 110,760</u>			<u>\$ 138</u>

In addition to the investments disclosed above, the Plan also holds \$3,385,000 in cash and cash equivalents at June 30, 2022, 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, 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 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 2023.

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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
2023	8,400	9,400
2024	8,400	9,900
2025	8,600	10,400
2026	8,400	10,900
2027	8,300	11,400
Years 2028 – 2032	38,200	62,500

The accumulated benefit obligation (ABO) of the defined benefit plan was \$99,017,000 and \$128,163,000 as of June 30, 2022 and 2021, 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 6.88% and 7.10% in year 2022, decrease gradually to 4.5% and 4.5% in fiscal year 2031, 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, 2022 and 2021 were \$28,922,000 and \$27,231,000, respectively. Dartmouth also maintains deferred compensation plans. The liabilities for the plans are included in employment and retirement 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):

	2022	2021
Medical School services and other support	\$ 15,440	\$ 15,853
Foreign study and continuing education programs	8,453	6,510
Student activities and other program revenues	16,258	13,787
Athletics revenues	2,888	949
Hopkins Center and Hood Museum revenues	586	114
Other revenues	55,326	22,140
Investment income (loss)	(42,123)	147,490
<b>Total other operating income</b>	<b>\$ 56,828</b>	<b>\$ 206,843</b>

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



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**L. Net Assets**

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

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Detail of net assets:</b>			
Operating funds	\$ 365,989	\$ 150,397	\$ 516,386
Pledges	-	421,289	421,289
Postretirement and pension benefit obligations	(184,478)	-	(184,478)
Third-party charitable trusts	-	11,561	11,561
Facilities and capital	641,217	53,924	695,141
Interest rate swap agreements	(107,700)	-	(107,700)
Student loan funds	9,872	19,383	29,255
Other non-operating activities	175,443	51,760	227,203
Life income, annuity, and similar funds	-	94,857	94,857
Endowment funds	1,815,893	6,249,850	8,065,743
<b>Total net assets</b>	<b>\$ 2,716,236</b>	<b>\$ 7,053,021</b>	<b>\$ 9,769,257</b>

	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>

**M. Commitments and Contingencies**

Outstanding commitments on uncompleted construction contracts total \$70,680,000 at June 30, 2022.

Investment related commitments as of June 30, 2022 and 2021 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.

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**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 was completed 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, 2022, the remaining liability for estimated future remediation and VAP expenses was \$16,078,000. Actual future remediation and VAP expenses could differ from this amount.

**P. Subsequent Events**

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to June 30, 2022 and through October 31, 2022, the date on which the consolidated financial statements were issued, and has concluded that there were no subsequent events requiring adjustment or disclosure.