

TRUSTEES OF DARTMOUTH COLLEGE

Financial Statements

2022 - 2023





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, 2023 and 2022 and the related consolidated statements of activities for the year ended June 30, 2023, of expenses and of cash flows for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, the changes in its net assets for the year ended June 30, 2023, its expenses and its cash flows for the years ended June 30, 2023 and 2022 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 audit. 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, 2022, and the related consolidated statements of activities, of expenses and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 31, 2022, 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, 2022 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 consolidated 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 consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 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 evaluate 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 26, 2023

Trustees of Dartmouth College

Consolidated Statements of Financial Position

As of June 30, 2023 and June 30, 2022

(in thousands)

	2023	2022
Assets		
Cash and cash equivalents	\$ 597,900	\$ 384,595
Receivables and other assets, net	218,699	133,421
Pledges receivable, net	466,908	421,289
Investments	9,122,079	9,289,233
Land, buildings, equipment, and construction in progress, net	1,258,003	1,216,681
Total assets	<u>\$ 11,663,589</u>	<u>\$ 11,445,219</u>
Liabilities		
Accounts payable and other liabilities	\$ 228,403	\$ 162,920
Deferred revenues and deposits	43,357	41,518
Liability for split-interest agreements	43,685	44,929
Employment and retirement benefits	306,025	288,189
Bonds, mortgages, and notes payable, net	985,809	998,206
Interest rate swap liabilities	67,814	107,700
Conditional asset retirement obligations	24,775	24,239
Government advances for student loans	7,363	8,261
Total liabilities	<u>1,707,231</u>	<u>1,675,962</u>
Net Assets		
Without donor restrictions	2,962,442	2,716,236
With donor restrictions	6,993,916	7,053,021
Total net assets	<u>9,956,358</u>	<u>9,769,257</u>
Total liabilities and net assets	<u>\$ 11,663,589</u>	<u>\$ 11,445,219</u>

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

Consolidated Statement of Activities

For the year ended June 30, 2023, with summarized financial information for the year ended June 30, 2022
(in thousands)

	Without donor restrictions	With donor restrictions	Total	
			2023	2022
Endowment Activities				
Gifts	\$ 69	\$ 120,488	\$ 120,557	\$ 122,280
Net investment return	24,384	86,238	110,622	(269,234)
Distributed for spending	(88,276)	(307,538)	(395,814)	(335,601)
Other changes	(7,288)	(3,147)	(10,435)	(14,038)
Amounts transferred from other funds, net	22,089	17,362	39,451	78,146
Change in net assets from endowment activities	(49,022)	(86,597)	(135,619)	(418,447)
Operating Activities				
Revenues and other support				
Tuition and fees, net of scholarships of \$218,821 in				
2023 and \$204,768 in 2022	238,959	-	238,959	252,544
Sponsored research grants and contracts	173,804	-	173,804	169,436
Dartmouth College Fund and other gifts	84,865	23,644	108,509	105,119
Distributed endowment investment return	378,525	14,810	393,335	333,329
Other operating income	382,880	3,875	386,755	56,828
Auxiliaries	93,008	-	93,008	90,135
Net assets released from restrictions	20,287	(20,287)	-	-
Total revenues and other support	1,372,328	22,042	1,394,370	1,007,391
Expenses				
Academic and student programs	780,550	-	780,550	616,068
Sponsored programs	117,372	-	117,372	113,784
General institutional services	124,405	-	124,405	108,587
Auxiliaries	104,077	-	104,077	97,440
Total expenses	1,126,404	-	1,126,404	935,879
Change in net assets from operating activities	245,924	22,042	267,966	71,512
Non-operating Activities				
Gifts	-	52,974	52,974	59,883
Distributed endowment investment return	683	1,796	2,479	2,272
Revenue and other non-operating changes, net	6,977	10,136	17,113	(8,655)
Non-operating expenses	(15,978)	(3,795)	(19,773)	(24,325)
Other components of net periodic benefit cost	1,893	-	1,893	2,043
Increase in outstanding pledges, net	-	45,619	45,619	49,746
Pension and postretirement benefit related changes				
other than net periodic benefit cost	(18,515)	-	(18,515)	7,868
Change in unrealized gain related to				
interest rate swap agreements	39,886	-	39,886	97,206
Net assets released from restrictions	55,724	(55,724)	-	-
Amounts transferred to endowment, net	(21,360)	(18,091)	(39,451)	(78,146)
Net change in split-interest agreements	(6)	(27,465)	(27,471)	(34,840)
Change in net assets from non-operating activities	49,304	5,450	54,754	73,052
Change in net assets	246,206	(59,105)	187,101	(273,883)
Net Assets, beginning of year	2,716,236	7,053,021	9,769,257	10,043,140
Net Assets, end of year	\$ 2,962,442	\$ 6,993,916	\$ 9,956,358	\$ 9,769,257

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

Consolidated Statement of Expenses

For the year ended June 30, 2023

(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	\$ 292,846	\$ 57,243	\$ 34,194	\$ 23,471	\$ 29,172	\$ 86,837	\$ 16,357	\$ 453,283	\$ -	\$ 453,283	
Employee benefits	85,042	16,623	9,930	6,816	8,471	25,217	4,750	131,632	-	131,632	
Fellowships and student support	20,069	4,699	-	-	-	-	-	24,768	-	24,768	
Materials, equipment, and supplies	44,007	8,685	9,063	5,199	2,314	16,576	20,576	89,844	311	90,155	
Purchased services	165,178	26,912	13,045	9,152	6,258	28,455	11,591	232,136	1,157	233,293	
Utilities, taxes, and occupancy	1,394	93	0	31,821	69	31,890	11,944	45,321	106	45,427	
Depreciation and amortization	54,678	-	1,359	3,316	541	5,216	14,283	74,177	-	74,177	
Lodging, travel, and similar costs	25,881	2,721	1,249	99	2,036	3,384	147	32,133	2	32,135	
Interest	-	-	-	28,990	-	28,990	1,409	30,399	8,544	38,943	
Other expenses	6,765	396	3,267	919	684	4,870	680	12,711	9,653	22,364	
	695,860	117,372	72,107	109,783	49,545	231,435	81,737	1,126,404	19,773	1,146,177	
Facilities operation & maintenance	84,690	-	1,916	(109,783)	837	(107,030)	22,340	-	-	-	
Total expenses for FY23	\$ 780,550	\$ 117,372	\$ 74,023	\$ -	\$ 50,382	\$ 124,405	\$ 104,077	\$ 1,126,404	\$ 19,773	\$ 1,146,177	

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	0	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	-	-	-
Total expenses for FY22	\$ 616,068	\$ 113,784	\$ 66,505	\$ -	\$ 42,082	\$ 108,587	\$ 97,440	\$ 935,879	\$ 22,282	\$ 958,161

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College

Consolidated Statements of Cash Flows

For the years ended June 30, 2023 and June 30, 2022

(in thousands)

	2023	2022
Cash flows from operating activities		
Total change in net assets	\$ 187,101	\$ (273,883)
Adjustments to reconcile total change in net assets to net cash used in operating activities:		
Depreciation and amortization	72,946	62,711
Change in estimated value of interest rate swap agreements	(39,886)	(97,206)
Change in estimated pension and post-retirement benefit obligation	6,468	(30,615)
Net change in split-interest liability	(1,244)	(9,486)
Change in pledges receivable, net	(45,619)	(49,746)
Other non-cash transactions	827	1,054
Contributed securities	(46,866)	(58,424)
Contributions, investment income, and other changes restricted for long-term investment	(182,428)	(213,147)
Net realized (gains) losses and changes in net unrealized (gains) losses	(92,449)	420,755
Changes in operating assets and liabilities:		
Receivables and other assets, net	(89,751)	32,516
Accounts payable and other liabilities	63,222	13,991
Deferred revenues and deposits	1,839	(6,313)
Employment related obligations	11,368	919
Net cash used in operating activities	<u>(154,472)</u>	<u>(206,874)</u>
Cash flows from investing activities		
Student loans granted	(4,004)	(3,411)
Student loans repaid	8,301	6,747
Purchases of land, buildings, and equipment	(112,711)	(121,555)
Purchases of investments	(3,848,241)	(7,451,391)
Sales and maturities of investments	4,171,206	7,662,394
Net cash provided by investing activities	<u>214,551</u>	<u>92,784</u>
Cash flows from financing activities		
Repayment of debt	(11,641)	(11,456)
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	30,761	25,533
Endowment, life income, and similar funds	151,667	187,614
Finance lease principal payments	(167)	(164)
Changes in government advances for student loans	(898)	(1,804)
Net cash provided by financing activities	<u>169,722</u>	<u>199,723</u>
Net change in cash and cash equivalents	229,801	85,633
Cash and cash equivalents, beginning of year	404,351	318,718
Cash and cash equivalents, end of year	<u>\$ 634,152</u>	<u>\$ 404,351</u>
Supplemental information on cash and cash equivalents:		
Cash and cash equivalents as shown in the Statement of Financial Position	\$ 597,900	\$ 384,595
Cash and cash equivalents included in Investments	36,252	19,756
Cash and cash equivalents as shown on the Statement of Cash Flows	<u>\$ 634,152</u>	<u>\$ 404,351</u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 39,547	\$ 42,136
Accounts payable related building and equipment additions	\$ 2,561	\$ 1,290
Fair value of securities received	\$ 101,043	\$ 257,629

See accompanying notes to the consolidated financial statements.

Trustees of Dartmouth College
Notes to Consolidated Financial Statements
For the years ended June 30, 2023 and 2022

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 4,500 undergraduate and 2,300 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 property in the Hanover, NH area.

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 2023 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, 2022, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2023 presentation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in these consolidated

Trustees of Dartmouth College
Notes to Consolidated Financial Statements
For the years ended June 30, 2023 and 2022

financial statements are the fair value of investments, interest rate swap agreements, and pension and retirement medical benefit obligations. Actual results could differ materially from these estimates, particularly during periods of investment and/or interest rate volatility.

Recent Accounting Pronouncements

In fiscal year 2023, Dartmouth adopted ASU 2020-04, *Reference Rate Reform*, which provides guidance to ease the burden in accounting for reference rate reform on financial reporting. The adoption of this standard did not have a significant impact on Dartmouth's financial statements.

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.

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.

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.

Trustees of Dartmouth College
Notes to Consolidated Financial Statements
For the years ended June 30, 2023 and 2022

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 65 and 66 percent of tuition and fees revenue for the years ended June 30, 2023 and 2022, 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 \$4,364,000 and \$9,155,000 for the years ended June 30, 2023 and 2022, 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 an institutional 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 award that includes a combination of employment eligibility and scholarships.

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, 2023 and 2022, Dartmouth had unrecorded conditional sponsored research agreements of \$80,497,000 and \$92,942,000, 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 predetermined through June 30, 2025. Dartmouth recovered facilities and administrative costs of approximately \$49,528,000 and \$47,627,000 during the years ended June 30, 2023 and 2022, 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 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, 2023, tax years ended June 30, 2020 through June 30, 2022 remain open and are subject to federal and state taxing authority examination. Dartmouth believes it has taken no significant uncertain tax positions.

Dartmouth is subject to the unrelated business income tax (UBIT) on certain investments and operations, an excise tax on net investment income that is not subject to UBIT, and an excise tax on certain compensation. As of June 30, 2023, Dartmouth has accrued an estimated liability for unrelated business income taxes payable of \$29,000, excise taxes payable of \$2,492,000, and a deferred tax liability of \$33,287,000. As of June 30, 2022, Dartmouth accrued an estimated tax 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.

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),

Trustees of Dartmouth College
Notes to Consolidated Financial Statements
For the years ended June 30, 2023 and 2022

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, 2023 and 2022, Dartmouth paid approximately \$13,700,000 and \$12,400,000, respectively, and received approximately \$13,500,000 and \$11,600,000, 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, fiduciary liability insurance, 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 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 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

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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 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

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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 4.2% and 3.6% for June 30, 2023 and 2022, respectively, for the net present value of the future cash outflows to beneficiaries of the agreements for which Dartmouth serves as trustee. When Dartmouth is not the trustee of the assets associated with a split-interest agreement, a receivable for Dartmouth's beneficial interest is established when Dartmouth is notified of the trust's existence and when the third-party trustee has provided Dartmouth with sufficient reliable information to estimate the value of the receivable, which Dartmouth considers a Level 3 measurement. Dartmouth requests information regularly from third-party trustees for financial reporting purposes; however, these trustees are not obligated to provide Dartmouth with the information necessary to estimate fair value and record the asset. Dartmouth respects the privacy of donors and trustees in these limited instances. Dartmouth reports the net change in split-interest agreements as a non-operating change in net assets in the Consolidated Statement of Activities.

Land, Buildings, Equipment, and Construction in Progress

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

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

Buildings and building components	13 – 50 years
Depreciable land improvements	15 – 20 years
Equipment	5 – 20 years

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

Collections

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

The collections, which were acquired through purchases and contributions since Dartmouth's inception, are not recognized as assets in the Consolidated 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.

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B. Receivables and Other Assets

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

	2023	2022
Student accounts	\$ 6,293	\$ 6,132
Sponsored research grants and contracts	29,382	20,317
Other accounts	122,083	46,558
Notes and student loans	42,281	46,577
<i>Less: allowance for uncollectible accounts</i>	<i>(1,452)</i>	<i>(1,578)</i>
Receivables, net	\$ 198,587	\$ 118,006
Prepaid costs, inventories, and other assets	20,112	15,415
Total receivables and other assets, net	\$ 218,699	\$ 133,421

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 \$1,152,000 of the government advance during fiscal year 2023. 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):

	2023	2022
Gifts to support operations	\$ 108,509	\$ 105,119
Gifts for:		
Facilities and student loans	30,761	25,533
Other restricted uses	7,974	26,666
Endowment	120,557	122,280
Split-interest agreements	14,239	7,684
Total gifts	\$ 282,040	\$ 287,282

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):

	2023	2022
In one year or less	\$ 183,784	\$ 152,952
Between one year and five years	263,827	264,996
Six years and after	72,487	53,749
Gross pledges receivable	\$ 520,098	\$ 471,697
<i>Less: present value discount</i>	(31,612)	(17,964)
<i>Less: allowance for uncollectible pledges</i>	(21,578)	(32,444)
Pledges receivable, net	\$ 466,908	\$ 421,289

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At June 30, 2023 and 2022, Dartmouth had known non-legally binding bequests of \$498,627,000 and \$439,133,000, 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, exchange traded funds, 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 may 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, exchange traded funds or commingled funds.

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

	<u>2023</u>	<u>2022</u>
Endowment investments	\$ 7,961,121	\$ 8,099,182
Split-interest agreement investments	128,392	137,786
Operating and other investments	<u>1,032,566</u>	<u>1,052,265</u>
Total investments	<u>\$ 9,122,079</u>	<u>\$ 9,289,233</u>

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.

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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, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Investments:				
Cash and short-term investments	\$ 178,320	\$ -	\$ -	\$ 178,320
Fixed income	447,610	157,777	42	605,429
Global equity:				
US equity	464,822	-	186	465,008
International	82,027	-	-	82,027
Emerging markets	4,453	-	-	4,453
Private equity/Venture capital	-	-	77,445	77,445
Real assets:				
Real estate	12,618	-	213,821	226,439
Other real assets	9	-	-	9
Other investments	-	-	184	184
Derivative assets (liabilities)	(1,041)	629	-	(412)
Subtotal	\$ 1,188,818	\$ 158,406	\$ 291,678	\$ 1,638,902
Investment receivables				223,907
Investment payables				(232,370)
Investments at NAV				7,320,129
Investments at cost less impairment				171,511
Total Investments	\$ 1,198,706	\$ 158,406	\$ 291,678	\$ 9,122,079

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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, 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 cost less impairment				171,511
Total Investments	<u>\$ 1,234,880</u>	<u>\$ 174,270</u>	<u>\$ 280,001</u>	<u>\$ 9,289,233</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, 2023 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 30,736	Monthly	30 – 40	\$ -
Global equity:				
US equity ¹	799,042	Ranges from quarterly to bi-annual	60 – 105	23,780
International ²	342,341	Ranges from semi-monthly to quarterly	3 – 180	2,755
Emerging markets ³	282,046	Ranges from monthly to annually	30 – 180	-
Hedge funds ⁴	1,748,888	Ranges from monthly to annually; illiquid	30 – 90	13,753
Private equity / Venture capital	3,273,837	Illiquid	Not applicable	722,476
Real assets:				
Real estate	461,889	Illiquid	Not applicable	319,000
Other real assets	381,350	Illiquid	Not applicable	41,716
Total	<u>\$ 7,320,129</u>			<u>\$ 1,123,480</u>

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

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

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

⁴ 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, 2022 (in thousands):

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 74,004	Monthly	30 – 40	\$ -
Global equity:				
US equity ¹	699,736	Ranges from quarterly to bi-annual	60 – 105	23,780
International ²	243,468	Ranges from semi-monthly to annually	3 – 180	-
Emerging markets ³	391,359	Ranges from quarterly to annually	30 – 180	-
Hedge funds ⁴	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>

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

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

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

⁴ 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, 2023 and June 30, 2022, 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, 2023 and 2022 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, 2022	\$ 40	\$ 136	\$ 207,458	\$ 72,183	\$ 184	\$ 280,001
Acquisitions / purchases	-	43	1,470	-	-	1,513
Distributions / sales	-	-	(869)	-	-	(869)
Transfers out	-	-	-	-	-	-
Realized gain/(loss)	-	-	-	-	-	-
Change in unrealized gain/(loss)	2	7	5,762	5,262	-	11,033
Balance as of June 30, 2023	<u>\$ 42</u>	<u>\$ 186</u>	<u>\$ 213,821</u>	<u>\$ 77,445</u>	<u>\$ 184</u>	<u>\$ 291,678</u>

	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>

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Cumulative unrealized gains related to Level 3 investments totaled \$98,753,000 and \$86,175,000 as of June 30, 2023 and 2022, respectively. The net change in unrealized gains/(losses) related to Level 3 investments held at June 30, 2023, and June 30, 2022 was \$12,578,000 and \$5,686,000, respectively.

The following tables summarize quantitative inputs and assumptions used for Level 3 investments at June 30, 2023 and 2022 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, 2023 (in thousands):

Asset Class	Fair Value ¹	Valuation Technique	Unobservable Inputs	Input Value(s)	Weighted Average
Real Estate	\$ 184,130	Third party appraisal-income capitalization approach	Capitalization rate	5.75 – 7.75%	6.68%
	28,541	Third party appraisal-comparable sales	Market value per square foot		
	1,150	Third party appraisal-adjusted cost	Discount rate	25.00%	25.00%
Private Equity	48,627	Market comparables	EBITDA multiple	14.3x – 17.9x	17.0x
	19,077	Market comparables	Revenue multiple	6.5x – 7.1x	6.8x
	9,741	Third Party Appraisal – DCF, utilizing WACC as discount rate	Weighted average cost of capital	13.0%	13.0%
	<u>\$ 291,266</u>				
Total					

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

June 30, 2022 (in thousands):

Asset Class	Fair Value ¹	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%
	<u>\$ 277,141</u>				
Total					

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

For June 30, 2023 and 2022 certain level 3 investments are valued at cost totaling \$412,000 and \$2,860,000 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, 2023 and 2022 and gains/(losses) related to derivative activities for the years ended June 30, 2023 and 2022 (in thousands):

June 30, 2023:

	Notional Exposure		Fair Value ¹		Net Gain/(Loss) ²
	Long	Short	Asset	Liability	
Foreign currency contracts	\$ 9,152	\$ (2,330)	\$ 101	\$ (84)	\$ 1,463
Fixed income futures contracts	107,902	(78,643)	632	(1,673)	2,902
Interest rate swaps ³	1,540	-	154	(1)	164
Credit default swaps	385	(9,901)	109	(198)	(69)
Other	-	(29,297)	548	-	(12,901)
Total	<u>\$ 118,979</u>	<u>\$ (120,171)</u>	<u>\$ 1,544</u>	<u>\$ (1,956)</u>	<u>\$ (8,441)</u>

June 30, 2022:

	Notional Exposure		Fair Value ¹		Net Gain/(Loss) ²
	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 ³	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>

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

² 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.

³ 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 therefore 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, 2023 and 2022, 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, 2022	\$ 1,815,893	\$ 6,249,850	\$ 8,065,743
Investment return, net	24,384	86,238	110,622
Gifts	69	120,488	120,557
Distribution of endowment return	(88,276)	(307,538)	(395,814)
Transfers and other changes, net	14,801	14,215	29,016
Endowment net assets, June 30, 2023	\$ 1,766,871	\$ 6,163,253	\$ 7,930,124

	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
Endowment net assets, June 30, 2022	\$ 1,815,893	\$ 6,249,850	\$ 8,065,743

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, 2023 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated funds	\$ 1,766,871	\$ -	\$ 1,766,871
Donor-restricted funds			
Accumulated investment gains	-	3,862,874	3,862,874
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	2,300,379	2,300,379
Total endowment net assets	\$ 1,766,871	\$ 6,163,253	\$ 7,930,124

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
Total endowment net assets	\$ 1,815,893	\$ 6,249,850	\$ 8,065,743

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The classification of endowment net assets by purpose as of June 30, 2023 is as follows (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Teaching and Research	\$ 552,962	\$ 2,569,333	\$ 3,122,295
Financial Aid	72,603	1,853,755	1,926,358
Academic and Student Support	133,366	657,611	790,977
Operations and Facilities	1,007,940	1,082,554	2,090,494
Endowment net assets, June 30, 2023	\$ 1,766,871	\$ 6,163,253	\$ 7,930,124

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
Endowment net assets, June 30, 2022	\$ 1,815,893	\$ 6,249,850	\$ 8,065,743

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, 2023, and 2022, there were \$9,985,000 and \$5,025,000, 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 2023 endowment distribution of \$395,814,000 represents a 4.9% distribution rate when measured against the previous year's June 30th endowment value. Investment return earned in excess of the amount appropriated annually is reinvested in the funds but can be appropriated in future years in accordance with the utilization policy. The net appreciation on 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):

	2023	2022
Land	\$ 20,955	\$ 20,955
Buildings	1,820,473	1,540,590
Land improvements	138,739	129,319
Equipment and software	444,933	401,414
Land, buildings, and equipment	\$ 2,425,100	\$ 2,092,278
Less: accumulated depreciation	(1,278,091)	(1,204,953)
Construction in progress	110,994	329,356
Total net book value	\$ 1,258,003	\$ 1,216,681

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. Liquidity and Availability of Resources

As of June 30, 2023 and 2022, 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):

	2023	2022
Financial assets:		
Cash and liquid operating investments	\$ 1,146,876	\$ 1,005,332
Notes and accounts receivable, net	146,730	52,822
Contributions receivable	163,597	127,460
Taxable debt (unexpended)	208,953	213,555
Approved endowment payout for following year	427,538	394,618
Total financial assets available within one year	\$ 2,093,694	\$ 1,793,787
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	\$ 2,563,694	\$ 2,263,787

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 29, 2023 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2023 or 2022.

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Additionally, Dartmouth has board-designated endowment funds of \$1,766,871,000. 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.

H. Bonds, Mortgages, and Notes Payable

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

	Fiscal Year Maturity	2023 Interest Rate	2023	2022
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	0.66% - 4.08%	-	9,670
Series 2007B	2041	0.31% - 4.37%	75,000	75,000
Series 2015A&B	2040	1.91% - 4.75%	101,000	101,000
Series 2015C&D	2038	1.91% - 4.75%	89,515	89,515
Series 2016A	2043	1.41% - 4.28%	165,000	165,000
Subtotal tax-exempt bonds			\$ 468,175	\$ 477,845
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
Subtotal taxable bonds			\$ 470,000	\$ 470,000
Subtotal bonds			\$ 938,175	\$ 947,845
Mortgages on real estate investments:				
Fixed Rate	2024 – 2037	4.34% - 4.50%	15,225	17,197
Taxable commercial paper note:				
Variable Rate		2.50% - 5.18%	30,000	30,000
Subtotal bonds, mortgages and notes payable			\$ 983,400	\$ 995,042
Original issue premium, net			4,449	5,364
Unamortized debt issuance costs			(2,040)	(2,200)
Total bonds, mortgages, and notes payable, net			\$ 985,809	\$ 998,206

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

	2023	2022
<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	\$ 1,066	\$ 1,167
Operating Activities (amounts included in Interest on the Consolidated Statement of Operating Expenses)		
Interest expense of debt (including payments on interest rate swap agreements) used to finance facilities projects	29,866	30,222
Interest expense on other operating indebtedness	1,347	196
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	7,079	8,102
Total interest expense on the Consolidated Statement of Activities	\$ 40,764	\$ 41,093
<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

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
2024	1,072
2025	970
2026	1,003
2027	1,036
2028	38,729
Thereafter	910,590
Total	\$ 953,400

Principal due after June 30, 2028, includes the following “balloon” payments due on Dartmouth’s indebtedness (in thousands):

June 30	Indebtedness	Payment
2036	NHHEFA Series 2007B bonds	\$ 18,000
2038	NHHEFA Series 2015 C&D bonds	89,515
2040	NHHEFA Series 2015 A&B bonds	101,000
2041	NHHEFA Series 2007B bonds	57,000
2042	Series 2012 A bonds	70,000
2043	Series 2012 B bonds	150,000
2043	NHHEFA Series 2016A bonds	165,000
2046	Series 2016 A bonds	250,000

The bonds are unsecured general obligations of Dartmouth, backed by Dartmouth’s full faith and credit. None of the bonds are secured by a reserve fund, mortgage lien or security interest on or in any funds, revenues or other assets of Dartmouth, except

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for funds held from time to time by the Bond Trustee for the benefit of the bondholders. 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, 2023, including the fixed interest rate paid by Dartmouth and percent of SOFR received on the notional amount, is presented in the table below:

Expiration Date	Notional Amount (in thousands)	Fixed Interest Rate %	% of SOFR
06/01/2027	\$ 31,810	3.77	72
06/01/2028	52,280	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, 2023 and 2022 based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately \$67,814,000 and \$107,700,000, respectively, and is considered a Level 2 measurement. The decreases in the liability of \$39,886,000 and \$97,206,000 for the years ended June 30, 2023 and 2022 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 a stand-by bond purchase agreement totaling \$75,000,000 to provide alternative liquidity to support its variable rate demand bonds in the event that the bonds cannot be remarketed. Financing obtained through 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 agreement has a maturity date of December 2024. There were no amounts outstanding at June 30, 2023 or 2022 under these agreements.

Dartmouth has three lines of credit totaling \$350,000,000. The maturity dates range from December 29, 2023 through June 30, 2024. There was no outstanding borrowing on any of the lines of credit as of June 30, 2023 or 2022.

I. 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):

	2023	2022
Retirement medical benefits	\$ 202,626	\$ 196,159
Deferred compensation obligation	53,052	45,106
Compensated absences, Self-insured benefits and other commitments	50,347	46,924
Total employment related obligations	\$ 306,025	\$ 288,189

Retirement benefits are provided to employees principally through defined contribution plans. Dartmouth also has a defined benefit pension plan that was closed to non-union staff in fiscal year 1998 and closed to union staff in fiscal year 2007.

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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 is 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	
	2023	2022	2023	2022
Change in benefit obligation:				
Beginning of year	\$ 102,461	\$ 132,866	\$ 196,159	\$ 226,773
Service cost	1,155	1,514	727	1,211
Interest cost	4,517	3,219	8,659	5,332
Benefits paid	(10,855)	(11,297)	(12,168)	(11,681)
Actuarial (gain)/loss	(2,420)	(23,841)	9,249	(25,476)
End of year	<u>\$ 94,858</u>	<u>\$ 102,461</u>	<u>\$ 202,626</u>	<u>\$ 196,159</u>
Change in estimated fair value of plan assets:				
Beginning of year	\$ 114,145	\$ 156,298	\$ -	\$ -
Actual return on plan assets	3,384	(30,856)	-	-
Employer contributions	-	-	12,168	11,681
Benefits paid	(10,855)	(11,297)	(12,168)	(11,681)
End of year	<u>\$ 106,674</u>	<u>\$ 114,145</u>	<u>\$ -</u>	<u>\$ -</u>
Funded status (plan assets more (less) than benefit obligation)	<u>\$ 11,816</u>	<u>\$ 11,684</u>	<u>\$ (202,626)</u>	<u>\$ (196,159)</u>

The pension asset of \$11,816,000 and \$11,684,000 as of June 30, 2023 and 2022, 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	\$ 1,155	\$ 1,514	\$ 727	\$ 1,211
Non-operating:				
Interest cost	4,517	3,219	8,659	5,332
Expected return on assets	(7,091)	(5,631)	-	-
Recognized net actuarial loss	-	-	(7,978)	(4,963)
Total non-operating	<u>\$ (2,574)</u>	<u>\$ (2,412)</u>	<u>\$ 681</u>	<u>\$ 369</u>
Settlement charge/(credit)	-	(215)	-	-
Net periodic benefit cost (income)	<u>\$ (1,419)</u>	<u>\$ (1,113)</u>	<u>\$ 1,408</u>	<u>\$ 1,580</u>

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	Pension Benefits		Retirement Medical Benefits	
	2023	2022	2023	2022
Weighted-average assumptions for determining net periodic benefit cost:				
Discount Rate – Benefit Obligation	4.71%	2.79%	4.82%	3.07%
Discount Rate – Service Cost	4.83%	3.08%	4.96%	3.50%
Discount Rate – Interest Cost	4.59%	2.34%	4.52%	2.40%
Expected return on plan assets	5.70%	4.15%	-	-
Weighted-average assumptions for determining benefit obligations:				
Rate of compensation increase	4.00%	2.50%	-	-
Discount rate used to determine benefit obligations	5.11%	4.79%	5.17%	4.82%

The increase in the retirement medical benefit obligation is primarily due to higher inflation rates, actual and expected claims and updated utilization assumptions. The increase is partially offset by an increase in the discount rate used to determine benefit obligations, which increased to 5.17% in 2023, compared to 4.82% in 2022.

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 2023	Total 2022
Amounts recognized in non-operating activities:				
Net actuarial gain (loss)	\$ (1,287)	\$ (9,249)	\$ (10,536)	\$ 12,830
Amortization of gain	-	(7,978)	(7,978)	(4,963)
Settlement recognition of net actuarial (gain) loss	-	-	-	215
Net periodic benefit cost other than service cost	2,574	(681)	1,893	2,043
Total non-operating gain (loss)	1,287	(17,908)	(16,621)	10,125
Amounts recognized in operating activities:				
Service cost	(1,155)	(727)	(1,882)	(2,725)
Total increase (decrease)	\$ 132	\$ (18,635)	\$ (18,503)	\$ 7,400

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	
	2023	2022	2023	2022
Net (gain)/loss	\$ 3,361	\$ 2,074	\$ (87,195)	\$ (104,422)
Total	\$ 3,361	\$ 2,074	\$ (87,195)	\$ (104,422)

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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, 2023 (in thousands):

	Amount	Redemption Terms	Days Notice	Remaining Unfunded Commitment
Fixed income	\$ 70,124	Daily	2	\$ -
Global equity	30,408	Daily	2	-
Private equity / Venture capital	567	Illiquid	Not applicable	108
Total	<u>\$ 101,099</u>			<u>\$ 108</u>

In addition to the investments disclosed above, the Plan also holds \$5,575,000 in cash and cash equivalents at June 30, 2023, 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, 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 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 2024.

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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
2024	10,600	9,800
2025	8,600	10,500
2026	8,500	11,100
2027	8,500	11,700
2028	8,200	12,300
Years 2029 – 2033	37,800	67,400

The accumulated benefit obligation (ABO) of the defined benefit plan was \$91,419,000 and \$99,017,000 as of June 30, 2023 and 2022, 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 7.50% and 7.80% in year 2023, 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, 2023 and 2022 were \$32,025,000 and \$28,922,000, 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.

J. Other Operating Income

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

	2023	2022
Medical School services and other support	\$ 17,205	\$ 15,440
Foreign study and continuing education programs	13,027	8,453
Student activities and other program revenues	18,250	16,258
Athletics revenues	3,685	2,888
Royalty revenues	251,877	36,623
Other revenues	19,975	19,289
Investment income (loss)	62,736	(42,123)
Total other operating income	\$ 386,755	\$ 56,828

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

Dartmouth recognized royalty revenue of \$249,429,000 and \$31,166,000 in fiscal years 2023 and 2022, respectively, relating to intellectual property used in the development and sale of various Covid-19 vaccines. Under Dartmouth's Policy on Patent, Copyright, and Other Intellectual Property Rights, the inventors of the intellectual property are entitled to a percentage of the royalty revenue that Dartmouth receives.

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K. Net Assets

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

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Detail of net assets:			
Operating funds	\$ 539,399	\$ 168,271	\$ 707,670
Pledges	-	466,908	466,908
Postretirement and pension benefit obligations	(190,810)	-	(190,810)
Third-party charitable trusts	-	6,466	6,466
Facilities and capital	731,333	62,780	794,113
Interest rate swap agreements	(67,814)	-	(67,814)
Student loan funds	10,338	20,012	30,350
Other non-operating activities	173,125	19,498	192,623
Life income, annuity, and similar funds	-	86,728	86,728
Endowment funds	1,766,871	6,163,253	7,930,124
Total net assets	\$ 2,962,442	\$ 6,993,916	\$ 9,956,358

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Detail of net assets:			
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
Total net assets	\$ 2,716,236	\$ 7,053,021	\$ 9,769,257

L. Commitments and Contingencies

Outstanding commitments on uncompleted construction contracts total \$141,390,000 at June 30, 2023.

Investment related commitments as of June 30, 2023 and 2022 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.

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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.

M. 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.

N. Subsequent Events

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to June 30, 2023 and through October 26, 2023, the date on which the consolidated financial statements were issued, and has concluded that there were no subsequent events requiring adjustment or disclosure.