



**DARTMOUTH COLLEGE**

Independent Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2012

(With Independent Auditors' Report Thereon)

# DARTMOUTH COLLEGE

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Audited Financial Statements for the year ended June 30, 2012	3
Notes to Financial Statements	7
Schedule of Expenditures of Federal Awards	25
Notes to Schedule of Expenditures of Federal Awards	36
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	38
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	40
Schedule of Findings and Questioned Costs	42
Summary Schedule of Prior Audit Findings	51



**KPMG LLP**  
Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

## **Independent Auditors' Report**

The Board of Trustees  
Dartmouth College:

We have audited the accompanying statement of financial position of Dartmouth College (Dartmouth) as of June 30, 2012, and the related statements of activities, operating expenses, and cash flows for the year then ended. These financial statements are the responsibility of Dartmouth's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Dartmouth's 2011 financial statements and, in our report dated November 7, 2011, because we were unable to examine evidence regarding the fair value of certain unrecognized trust interests, we expressed a qualified opinion on those financial statements.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note L, assets and changes in net assets do not include Dartmouth's interests in certain third-party charitable trusts for which current fair values are not available. Accordingly, we were unable to apply adequate procedures to satisfy ourselves as to such fair values, and the effects of this departure from U.S. generally accepted accounting principles on Dartmouth's financial position and changes in net assets cannot be determined.

In our opinion, except for the effects of such adjustments deemed necessary had we examined evidence regarding the fair value of the unrecognized trust interests discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Dartmouth College as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.



In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2012 on our consideration of Dartmouth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

KPMG LLP

November 10, 2012

## Dartmouth College

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### Statement of Financial Position

As of June 30, 2012, with comparative information as of June 30, 2011  
(in thousands)

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	2012	2011
<b>Assets</b>		
Cash and cash equivalents	\$ 306,241	\$ 319,584
Receivables and other assets, net	183,828	167,190
Investment related receivables	38,539	164,824
Pledges receivable, net	142,776	173,487
Investments held by bond trustees	151	22,834
Investments, at fair value	4,375,764	4,175,756
Land, buildings, equipment, and construction in progress, net	927,694	863,627
<b>Total assets</b>	<b>5,974,993</b>	<b>5,887,302</b>
<b>Liabilities</b>		
Accounts payable and other liabilities	74,423	87,249
Investment related payables	100,176	292,863
Deferred revenues and deposits	38,121	34,282
Liability for split-interest agreements	41,705	46,801
Pension and other employment related obligations	315,980	267,823
Bonds, mortgages, and notes payable, net	1,128,875	946,768
Interest rate swap liabilities, at fair value	216,306	89,403
Conditional asset retirement obligations	21,665	22,629
Government advances for student loans	20,192	20,024
<b>Total liabilities</b>	<b>1,957,443</b>	<b>1,807,842</b>
<b>Total Net Assets</b>	<b>\$ 4,017,550</b>	<b>\$ 4,079,460</b>
<b>Net Assets</b>		
Unrestricted	\$ 1,006,070	\$ 1,109,344
Temporarily restricted	1,991,249	1,996,557
Permanently restricted	1,020,231	973,559
<b>Total Net Assets</b>	<b>\$ 4,017,550</b>	<b>\$ 4,079,460</b>

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See accompanying notes to the financial statements.

## Dartmouth College

### Statement of Activities

For the year ended June 30, 2012, with summarized financial information for the year ended June 30, 2011

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2012	2011
<b>Endowment Activities</b>					
Gifts	\$ 8	\$ 858	\$ 48,831	\$ 49,697	\$ 40,338
Net investment return	46,784	149,929	586	197,299	541,549
Distributed for spending	(44,142)	(138,714)	-	(182,856)	(174,899)
Other changes	(1,249)	1,913	2,369	3,033	4,057
Amounts transferred from other funds, net	(599)	2,015	4,389	5,805	4,059
<b>Change in net assets from endowment activities</b>	<b>802</b>	<b>16,001</b>	<b>56,175</b>	<b>72,978</b>	<b>415,104</b>
<b>Operating Activities</b>					
Revenues					
Tuition and fees	284,540	-	-	284,540	266,674
Student scholarships	(116,388)	-	-	(116,388)	(114,533)
Net tuition and fees	168,152	-	-	168,152	152,141
Sponsored research grants and contracts	173,554	-	-	173,554	179,811
Dartmouth College Fund and other gifts	71,008	13,154	-	84,162	77,880
Distributed endowment investment return	176,055	5,109	-	181,164	173,247
Other operating income	126,694	14	-	126,708	118,126
Auxiliaries	60,207	-	-	60,207	61,559
Net assets released from restrictions	8,022	(8,022)	-	-	-
Total revenues	783,692	10,255	-	793,947	762,764
Expenses					
Academic and student programs	495,958	-	-	495,958	460,848
Sponsored programs	125,013	-	-	125,013	127,430
General institutional services	87,189	-	-	87,189	84,072
Auxiliaries	67,628	-	-	67,628	65,991
Total expenses	775,788	-	-	775,788	738,341
<b>Change in net assets from operating activities</b>	<b>7,904</b>	<b>10,255</b>	<b>-</b>	<b>18,159</b>	<b>24,423</b>
<b>Non-operating Activities</b>					
Gifts	-	28,702	-	28,702	19,043
Other non-operating changes, net	22,463	1,907	-	24,370	34,652
Distributed endowment investment return	367	1,325	-	1,692	1,652
Decrease in outstanding pledges	-	(19,379)	(11,332)	(30,711)	(39,231)
Pension and postretirement benefit related changes					
other than net periodic benefit costs	(40,806)	-	-	(40,806)	78,458
Disposals and non-capitalized expenditures	(2,697)	(1,699)	-	(4,396)	(8,192)
Unrealized gain (loss) related to					
interest rate swap agreements	(126,903)	-	-	(126,903)	27,771
Net assets released from restrictions	34,496	(34,496)	-	-	-
Amounts transferred to endowment, net	1,100	(7,690)	785	(5,805)	(4,059)
Net change in split-interest agreements	-	(234)	1,044	810	8,201
<b>Change in net assets from non-operating activities</b>	<b>(111,980)</b>	<b>(31,564)</b>	<b>(9,503)</b>	<b>(153,047)</b>	<b>118,295</b>
<b>Change in net assets</b>	<b>(103,274)</b>	<b>(5,308)</b>	<b>46,672</b>	<b>(61,910)</b>	<b>557,822</b>
<b>Net Assets, beginning of year</b>	<b>1,109,344</b>	<b>1,996,557</b>	<b>973,559</b>	<b>4,079,460</b>	<b>3,521,638</b>
<b>Net Assets, end of year</b>	<b>\$ 1,006,070</b>	<b>\$ 1,991,249</b>	<b>\$ 1,020,231</b>	<b>\$ 4,017,550</b>	<b>\$ 4,079,460</b>

See accompanying notes to the financial statements.

## Dartmouth College

### Statement of Operating Expenses

For the year ended June 30, 2012, with summarized financial information for the year ended June 30, 2011

(in thousands)

	Academic & Student Programs	Sponsored Programs	General Institutional Services				Auxiliaries	Total Expenses	
			Administrative Support	Facilities Operation & Maintenance	Development	Total		2012	2011
Salaries and wages	\$ 202,229	\$ 55,098	\$ 24,003	\$ 16,214	\$ 16,022	\$ 56,239	\$ 13,290	\$ 326,856	\$ 309,317
Employee benefits	72,432	16,428	8,395	5,548	5,539	19,482	4,595	112,937	125,600
Fellowships and student support	9,419	4,297	-	-	-	-	-	13,716	12,470
Materials, equipment, and supplies	32,955	11,368	5,409	1,370	1,632	8,411	14,920	67,654	67,734
Purchased services	43,515	34,331	6,496	2,216	6,874	15,586	6,923	100,355	90,889
Utilities, taxes, and occupancy	-	-	-	38,635	-	38,635	6,139	44,774	43,616
Depreciation	36,484	-	2,743	5,886	57	8,686	7,119	52,289	44,760
Lodging, travel, and similar costs	20,571	3,289	1,247	226	1,838	3,311	226	27,397	22,705
Interest and amortization	-	-	-	22,805	-	22,805	-	22,805	16,524
Other expenses	5,216	202	1,004	121	317	1,442	145	7,005	4,726
	422,821	125,013	49,297	93,021	32,279	174,597	53,357	775,788	\$ 738,341
Facilities operation & maintenance	73,137	-	5,498	(93,021)	115	(87,408)	14,271	-	
<b>Total expenses for FY12</b>	<b>\$ 495,958</b>	<b>\$ 125,013</b>	<b>\$ 54,795</b>	<b>\$ -</b>	<b>\$ 32,394</b>	<b>\$ 87,189</b>	<b>\$ 67,628</b>	<b>\$ 775,788</b>	
<b>Total expenses for FY11</b>	<b>\$ 460,848</b>	<b>\$ 127,430</b>	<b>\$ 51,968</b>	<b>\$ -</b>	<b>\$ 32,104</b>	<b>\$ 84,072</b>	<b>\$ 65,991</b>		<b>\$ 738,341</b>

See accompanying notes to the financial statements.

## Dartmouth College

### Statement of Cash Flows

For the year ended June 30, 2012, with comparative information for the year ended June 30, 2011  
(in thousands)

	2012	2011
<b>Cash flows from operating activities</b>		
Total change in net assets	(\$ 61,910)	\$ 557,822
Adjustments to reconcile total change in net assets to net cash used by operating activities:		
Depreciation and amortization	53,191	45,095
Change in estimated value of interest rate swap agreements	126,903	(27,771)
Change in estimated pension and post-retirement benefit obligation	51,705	(57,052)
Change in pledges receivable, net	30,711	39,231
Other non-cash transactions	1,361	919
Contributions, investment income, and other changes restricted for long-term investment	(70,569)	(60,838)
Net realized and unrealized gains	(225,284)	(580,383)
Changes in operating assets and liabilities:		
Receivables and other assets, net	(22,358)	951
Accounts payable and other liabilities	(13,790)	16,872
Deferred revenues and deposits	3,839	2,828
Employment related obligations	(3,548)	(1,582)
Net cash used by operating activities	(129,749)	(63,908)
<b>Cash flows from investing activities</b>		
Student loans granted	(8,571)	(17,333)
Student loans repaid	13,820	13,691
Purchases of land, buildings, and equipment	(117,952)	(134,270)
Proceeds from the sale of land, buildings, and equipment	18,434	6,555
Net change in split-interest agreements	(5,096)	1,737
Net change in unsettled trades	(66,402)	65,905
Purchases of investments	(7,867,688)	(8,037,740)
Sales and maturities of investments	7,874,530	8,057,963
Net cash used by investing activities	(158,925)	(43,492)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of debt	244,275	10,650
Repayment of debt	(62,364)	(8,990)
Change in investments held by bond trustee	22,683	63,632
Contributions, investment income, and other changes restricted for long-term investment in:		
Facilities	16,225	14,113
Endowment, life income, and similar funds	54,344	46,725
Changes in government advances for student loans	168	151
Net cash provided by financing activities	275,331	126,281
<b>Net change in cash and cash equivalents</b>	<b>(13,343)</b>	<b>18,881</b>
Cash and cash equivalents, beginning of year	319,584	300,703
Cash and cash equivalents, end of year	\$ 306,241	\$ 319,584

See accompanying notes to the financial statements.

Dartmouth College  
Notes to Financial Statements

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**A. Summary of Significant Accounting Policies**

**Description of Organization**

Dartmouth College (Dartmouth) is a private, nonprofit, co-educational, nonsectarian institution of higher education with approximately 4,200 undergraduate and 2,000 graduate students. Established in 1769, Dartmouth includes the four-year undergraduate college, with graduate schools of business, engineering, and medicine, and several graduate programs in the Arts and Sciences.

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis. Dartmouth's financial statements include the accounts of its wholly owned subsidiaries and certain affiliated organizations over which it has financial control. The wholly owned subsidiaries and financially controlled entities include real estate corporations, which own real estate in the local area; the Dartmouth Education Loan Corporation (DELC), which provides scholarships and low-cost loans to Dartmouth students who are unable to finance their education through other sources; and various separately incorporated foundations, which support activities that enrich the experience of students and the community.

In accordance with U.S. generally accepted accounting principles (GAAP), net assets, revenues, gains, and losses are classified into three categories: unrestricted, temporarily restricted, or permanently restricted. Unrestricted net assets include all resources that are not subject to donor-imposed restrictions and therefore may be used for any purpose in furtherance of Dartmouth's mission. Under the authority of Dartmouth's management and Board of Trustees, in order to support Dartmouth's strategic initiatives, all or a portion of unrestricted net assets may be set aside in segregated Dartmouth-designated reserve accounts and earmarked for use in future years by specific departments, cost centers, or the professional schools, to cover program costs or contingencies. These Dartmouth-designated net assets include funds designated for operating initiatives, facilities, and long-term quasi-endowment. The purposes for which Dartmouth-designated net assets are earmarked may be changed under the authority of Dartmouth's management and Board of Trustees. The use of designated net assets is at the discretion of the responsible department. All expenses are recorded as a reduction of unrestricted net assets.

Temporarily restricted net assets carry donor-imposed restrictions on the expenditure or other use of contributed funds. Temporary restrictions may expire either because of the passage of time or because actions are taken to fulfill the restrictions. Temporarily restricted net assets include unexpended endowment return, unexpended restricted use gifts, term endowment funds, loan funds, uncollected pledges, and life income and similar funds. Donor-restricted resources intended for capital projects are released from their temporary restrictions and presented as unrestricted support when the related asset is placed in service. Temporarily restricted endowment distribution and donor-restricted gifts which are received, and either spent or deemed spent within the same fiscal year, are reported as unrestricted.

Permanently restricted net assets are those that are subject to donor-imposed restrictions which will never lapse, thus requiring that the net assets be retained permanently. Based upon a legal interpretation of New Hampshire State Law, Dartmouth determined that appreciation on restricted endowment funds should be classified as temporarily restricted net assets until such time as the appreciation is appropriated by the Board of Trustees. Investment return from endowment activities that has been appropriated by Dartmouth's Board of Trustees is presented as an increase in operating or non-operating activities according to the unrestricted or temporarily restricted nature of the donor's intended use of the funds. In the case of quasi-endowment funds designated for long-term investment by Dartmouth, investment return that has been appropriated by Dartmouth's Board of Trustees is presented as an increase in unrestricted operating or non-operating activities, depending upon Dartmouth's intended use of the funds. Permanently restricted net assets consist of the original principal of endowment gifts, loan funds, and certain pledges.

**Comparative Financial Information**

The 2012 financial statements are presented with certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Dartmouth's financial statements for the year ended June 30, 2011, from which the summarized information was derived. Certain prior year amounts have been reclassified to conform to the fiscal year 2012 presentation.

Dartmouth College  
Notes to Financial Statements

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**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates in these financial statements are the fair value of investments, interest rate swap agreements and bonds payable (for disclosure only), pension and postretirement benefit obligations, conditional asset retirement obligations, liabilities for self-insured programs and split-interest agreements, and allowances for uncollectible accounts and pledges receivable. Actual results could differ materially from these estimates, particularly during periods of investment and/or interest rate volatility.

**Statement of Activities**

Operating activities presented in the Statement of Activities consist of revenues earned, endowment net investment return appropriated by Dartmouth's Board of Trustees, and expenses incurred in conducting Dartmouth's programs and services. Auxiliary enterprises, primarily the operation of residence halls, dining services, and recreational facilities, are included in operating activities. Expenses such as development, public affairs, and central services and administration are reported as general institutional services. Depreciation and facilities operations and maintenance expenses are allocated to functional classifications of expenses based on the square footage of each building. Interest expense is allocated to functional classifications of expenses based on the use of each building that has been debt financed.

Non-operating activities presented in the Statement of Activities consist of gifts, grants, investment income, other earnings, and endowment investment return appropriated by Dartmouth's Board of Trustees for loan programs and the construction, purchase or sale of capital assets, non-capitalizable construction in progress, net change in life income and similar split-interest agreements, the net change in pledges receivable, the net change in the estimated value of interest rate swap agreements, and postretirement benefit changes other than net periodic benefits costs.

Endowment activities presented in the Statement of Activities consist of gifts that are restricted by donors to investment in perpetuity, amounts designated by Dartmouth's management and Board of Trustees for long-term investment, the net investment return on these invested funds, and the annual distribution of an amount appropriated by Dartmouth's Board of Trustees to support operating and non-operating activities. Other endowment activities include increases in endowment net assets from certain matured split-interest agreements.

Endowment and non-operating activities also include transfers of net assets that occur when donors change the restrictions on certain gifts or when Dartmouth changes the designation of unrestricted funds.

**Cash and Cash Equivalents**

Cash and cash equivalents consist principally of U.S. treasury funds, money market accounts, certificates of deposit, commercial paper, and liquid short-term investments with maturities of 90 days or less at the date of acquisition. Cash and cash equivalents are carried at cost, which approximates fair value.

**Tuition and Fees and Student Scholarships**

Tuition and fees revenue is recognized in the fiscal year in which substantially all of the academic program occurs. Tuition and fees revenue from undergraduate enrollment represents approximately 68 percent of tuition and fees revenue. Student scholarships provided by Dartmouth are presented in the Statement of Activities as a reduction in tuition and fees revenue. In addition, Dartmouth acts as an agent for recipients of scholarships from other sponsors in the amounts of \$5,854,000 and \$6,007,000 for the years ended June 30, 2012 and 2011, respectively, which are not presented in the Statement of Activities.

Dartmouth admits students to its undergraduate program without regard to financial need. The financial aid program assists all students with demonstrated need, defined in accordance with a uniform formula, by providing a mix of scholarships, loans and/or employment designed to cover costs of attendance when combined with student and family contributions, based on ability to pay.

**Sponsored Research Grants and Contracts**

Revenues from government and private sponsored research grants and contracts are recognized when the direct costs associated with the sponsored program are incurred. Revenue from the reimbursement of facilities and administrative costs incurred by Dartmouth on U.S. government grants and contracts was based upon negotiated predetermined cost rates

## Dartmouth College

### Notes to Financial Statements

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through June 30, 2015. Dartmouth recovered facilities and administrative costs of approximately \$44,082,000 and \$46,141,000 in the years ended June 30, 2012 and 2011, respectively.

#### **Taxes**

Dartmouth is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the Code), except with regard to unrelated business income, which is taxed at corporate income tax rates. Dartmouth is also subject to state and local property tax on the value of dormitories and dining and kitchen facilities in excess of \$150,000, as well as on the value of its off-campus rental properties, commercial properties, and other real estate holdings to the extent they are not used or occupied for Dartmouth's tax exempt purposes. Certain Dartmouth real estate entities are exempt from federal income tax under Sections 501(c)(2) and 501(c)(25) of the Code. Dartmouth believes it has taken no significant uncertain tax positions.

#### **Affiliation with Dartmouth-Hitchcock Medical Center**

Dartmouth, through the Geisel School of Medicine at Dartmouth (Geisel), is a member of the Dartmouth-Hitchcock Medical Center (DHMC), a confederation of health care organizations intended to coordinate medical education and health care delivery for the residents of New Hampshire and Vermont. DHMC is a nonprofit, tax-exempt corporation organized under New Hampshire State Law. The other members of DHMC are: (i) Mary Hitchcock Memorial Hospital (Hitchcock Hospital), (ii) Dartmouth-Hitchcock Clinic (Clinic), and (iii) Veterans Administration Medical Center of White River Junction, Vermont (VAMC). The staff of the Clinic serves as the primary resource for Geisel clinical faculty, with the Hitchcock Hospital and the VAMC acting as principal sites of clinical instruction for Geisel students. Each member 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, 2012 and 2011, Dartmouth paid approximately \$27.4 million and \$26.3 million, respectively, and received approximately \$28.1 million and \$27.3 million, respectively, in connection with these arrangements.

#### **Insurance**

Dartmouth maintains several insurance arrangements with the objective of providing the most cost effective and comprehensive coverage for most insurable risks. Both conventional and alternative insurance coverage approaches, including utilization of appropriate deductible or self-insured retention amounts, are in place to cover trustee errors and omissions and employment practices, crime bond, commercial general and automobile liability, pension trust fiduciary errors and omissions liability, and property losses. Workers' compensation losses are covered by a self-insured retention and excess insurance program. Dartmouth currently participates in three risk retention groups that provide general liability and professional and medical malpractice liability insurance.

Dartmouth's annual premium payments for conventional insurance coverage are included in operating expenses. Estimated liabilities for losses under Dartmouth's deductible and/or self-insurance retention limits are reflected in the Statement of Financial Position, which includes estimates for known losses and for losses incurred but not yet reported. Insurance reserves are based on actuarial analysis and/or estimates of historical loss experience, and while management believes that the reserves are adequate, the ultimate liabilities may be different than the amounts provided.

#### **Gifts and Pledges Receivable**

Total contributions to Dartmouth include gifts that are received and the net change in pledges receivable during a period. Gifts 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 Statement of Activities. Contributions of capitalizable assets other than cash are recorded at their estimated fair value at the date of gift. Pledges are stated at the estimated present value of future cash flows, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

#### **Investments**

Investments are reported at estimated fair value. 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

Dartmouth College  
Notes to Financial Statements

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actual results. 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. Derivative financial instruments held for investment purposes are carried at estimated fair values with resulting gains and losses included in investment return. Cash designated for investment purposes is included in investments and may include money market funds, foreign currency held for investment purposes, and fixed income securities with an original or remaining maturity of three months or less when purchased.

Total investment return (interest, dividends, rents, royalties, and net realized and unrealized gains and losses) earned by Dartmouth's endowment investments is included in endowment activities, while the net income earned by the non-endowment investments is included in other operating and non-operating income. Fees charged by external investment managers are generally based on contractual percentages of the fair market value of assets under management or on annual total investment return and are, in most cases, netted against investment return. However, certain expenses paid directly by Dartmouth for investment management and custody services, including certain internal costs, amounted to approximately \$12,026,000 and \$11,735,000 for the years ended June 30, 2012 and 2011, respectively, and have been netted against endowment return and other operating and non-operating income in the accompanying Statement of Activities.

### **Endowment**

Dartmouth's endowment and similar funds consist of gifts restricted by donors and unrestricted net assets designated by management and the Board of Trustees for long-term support of Dartmouth's activities, and the accumulated investment return on these gifts and designated net assets. Accumulated investment return consists of endowment net investment return that has not been appropriated by the Board of Trustees for expenditure to support Dartmouth's operating and non-operating activities. Generally, only a portion of accumulated net investment return is made available for spending each year in accordance with a Board of Trustees-approved endowment utilization policy and New Hampshire State Law. However, certain donor restricted endowment funds do allow for the expenditure of principal, and Dartmouth-designated endowment funds are unrestricted net assets that may be re-designated for authorized expenditures.

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

Unrestricted endowment net assets include Dartmouth funds and certain unrestricted gifts from donors, and any accumulated investment return thereon, which may be expended; however, by trustee or management designation, these net assets may remain invested in the endowment for the long-term support of Dartmouth activities. Investment return on unrestricted endowment net assets and the annual distribution of a portion of accumulated investment return to operating and non-operating activities are presented as changes in unrestricted net assets in the Statement of Activities. Temporarily restricted endowment net assets include certain expendable endowment gifts, and any retained income and appreciation thereon, which are restricted by the donor to a specific purpose or by law. When the temporary restrictions on these funds have been met, the gifts ordinarily remain in the endowment by trustee designation to continue supporting the same activities as those specified by the donors, but the net assets are reclassified to unrestricted endowment net assets. Investment return on temporarily and permanently restricted net assets and the annual distribution of a portion of the accumulated investment return to operating and non-operating activities are generally presented as changes in temporarily restricted net assets in the Statement of Activities.

### **Split-Interest Agreements**

Certain donors have established irrevocable split-interest agreements with Dartmouth, primarily charitable gift annuities, pooled life income funds, and irrevocable charitable remainder trusts, whereby the donated assets are invested and distributions are made to the donor and/or other beneficiaries in accordance with the agreement for a specified period of time, at which time the remaining assets and future investment return are retained by Dartmouth. At the discretion of the donor, Dartmouth may or may not serve as trustee for the split-interest agreement.

Dartmouth has recorded the estimated fair value of the investments associated with irrevocable split-interest agreements and an estimated liability, using a discount rate of 1.2% (2.8% for FY11), for the net present value of the future cash outflows to

Dartmouth College  
Notes to Financial Statements

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beneficiaries of the agreements for which Dartmouth serves as trustee. In the case of irrevocable split-interest agreements whose assets are held in trusts not administered by Dartmouth (third-party charitable trusts), 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. Dartmouth reports the net change in split-interest agreements as a non-operating change in net assets in the Statement of Activities. See Note L for additional discussion of third-party charitable trusts.

**Investments Held by Bond Trustees**

Investments held by bond trustees consist primarily of unexpended debt proceeds that have been invested in accordance with the various resolutions and loan agreements in connection with the New Hampshire Health and Education Facilities Authority (NHHEFA) Bonds. Unexpended debt proceeds are invested in cash and short-term investments and are reported at estimated fair value.

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

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

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

Buildings and building components	10 - 50 years
Depreciable land improvements	15 - 20 years
Equipment	5 - 20 years

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

**Collections**

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

The collections, which were acquired through purchases and contributions since Dartmouth's inception, are not recognized as assets in the Statement of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or in temporarily restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not recorded in the financial statements.

**B. Receivables and Other Assets**

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

	2012	2011
Student accounts	\$ 1,426	\$ 917
Sponsored research grants and contracts	29,489	23,070
Other accounts	56,757	40,254
Notes and student loans	83,539	88,788
Less: allowance for uncollectible accounts	(2,743)	(2,969)
Receivables, net	\$ 168,468	\$ 150,060
Prepaid costs, inventories, and other assets	15,360	17,130
<b>Total receivables, and other assets, net</b>	<b>\$ 183,828</b>	<b>\$ 167,190</b>

Dartmouth College  
Notes to Financial Statements

Federally sponsored student loans with mandated interest rates and repayment terms are subject to significant restrictions as to their transfer and disposition. Amounts received from the Federal government to fund a portion of the Perkins student loans are ultimately refundable to the Federal government and are classified as government advances for student loans in the Statement of Financial Position. Due to the nature and terms of student loans funded by the Federal government, and restricted and unrestricted Dartmouth funds, it is not practical to estimate the fair value of such loans. All other receivables are carried at estimated net realizable value.

**C. Gifts and Pledges Receivable**

Gifts and pledge payments received during the years ended June 30 were as follows (in thousands):

	<u>2012</u>	<u>2011</u>
Gifts to support operations	\$ 84,162	\$ 77,880
Gifts for:		
Facilities and student loans	25,682	14,136
Other restricted uses	3,020	4,907
Endowment	49,697	40,338
Split-interest agreements	<u>2,163</u>	<u>2,268</u>
<b>Total gifts and pledge payments</b>	<u>\$ 164,724</u>	<u>\$ 139,529</u>

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

	<u>2012</u>	<u>2011</u>
In one year or less	\$ 75,942	\$ 90,533
Between one year and five years	58,831	75,862
Six years and after	<u>20,903</u>	<u>23,774</u>
Gross pledges receivable	\$ 155,676	\$ 190,169
Less: present values discount	(5,415)	(7,682)
Less: allowance for uncollectible pledges	<u>(7,485)</u>	<u>(9,000)</u>
<b>Pledges receivable, net</b>	<u>\$ 142,776</u>	<u>\$ 173,487</u>

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

**D. Investments at Fair Value**

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

	<u>2012</u>	<u>2011</u>
Endowment investments	\$ 3,571,135	\$ 3,482,988
Split-interest agreement investments	99,768	107,128
Operating and other investments	<u>704,861</u>	<u>585,640</u>
<b>Total investments</b>	<u>\$ 4,375,764</u>	<u>\$ 4,175,756</u>

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 reported fair value. Fair values for shares in commingled funds are based on share prices reported by the funds as of the last business day of the fiscal year. Dartmouth's interest in certain other commingled funds and other alternative investment funds is reported at the net asset value (NAV) reported by the fund managers and reviewed by Dartmouth. NAV is used as a practical expedient to estimate the fair value of Dartmouth's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV.

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:

# Dartmouth College

## Notes to Financial Statements

Level 1 - Quoted prices (unadjusted) in active markets for identical investments as of the reporting date. The type of investment in Level 1 includes actively listed equities, certain short term fixed income securities, and exchange traded and registered funds all held directly by Dartmouth, and excludes listed equities and other securities held indirectly through commingled funds.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

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. Investments in this category generally include privately held investments and partnership interests.

For those investments reported using NAV as a practical expedient, classification in Level 2 or 3 is based on Dartmouth's ability to redeem its interest at or near the date of the statement of financial position, and if the interest can be redeemed in the near term, the investment is classified in Level 2.

The following table summarizes Dartmouth's assets and liabilities that are reported at fair value by their fair value hierarchy classification as of June 30, 2012 (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Assets:						
Investments:						
Cash and cash equivalents	\$ 161,759	\$ -	\$ -	\$ 161,759	Daily	1
Fixed income <sup>1</sup>	102,750	254,921	2	357,673	Daily-Monthly	1-7
Global equity:						
US equity <sup>2</sup>	363,288	225,855	209,597	798,740	Daily- Bi-annual	1-90
International	20,533	109,502	-	130,035	Daily - Monthly	1-10
Emerging markets	33,556	123,214	-	156,770	Daily - Quarterly	1-120
Marketable alternative strategies <sup>3</sup>	-	174,919	689,325	864,244	Quarterly- Annual	30-180
Private equity/venture capital	-	-	961,640	961,640	Illiquid	Not Applicable
Real assets:						
Real estate	12,718	196,820	404,208	613,746	Daily - Illiquid	1 Day - Not Applicable
Other real assets	79,369	-	246,082	325,451	Daily - Illiquid	1 Day - Not Applicable
Other investments	-	2,104	3,602	5,706	Not Applicable	Not Applicable
Total investments	<u>773,973</u>	<u>1,087,335</u>	<u>2,514,456</u>	<u>4,375,764</u>		
Other Assets:						
Investments held by bond trustees	151	-	-	151	Daily	1
Third-party charitable trusts	-	-	13,611	13,611	Not Applicable	Not Applicable
Total Assets	<u>\$ 774,124</u>	<u>\$ 1,087,335</u>	<u>\$ 2,528,067</u>	<u>\$ 4,389,526</u>		
Liabilities:						
Interest rate swap agreements	<u>\$ -</u>	<u>\$ (216,306)</u>	<u>\$ -</u>	<u>\$ (216,306)</u>	Not Applicable	Not Applicable

<sup>1</sup> Fixed income includes privately held bonds and other securities that are not readily marketable.

<sup>2</sup> US equity includes funds that may have restrictions on the ability to fully redeem up to five years, excluding special investments.

<sup>3</sup> Marketable alternative strategies include two funds having initial lock-ups expiring on or before April 2014. Other funds may have restrictions on the ability to fully redeem up to three years, excluding illiquid securities and special investments.

Dartmouth College

Notes to Financial Statements

The following table summarizes Dartmouth's assets and liabilities that are reported at fair value by their fair value hierarchy classification as of June 30, 2011 (in thousands):

	Level 1	Level 2	Level 3	Total	Redemption or Liquidation	Days' Notice
Assets:						
Investments:						
Cash and cash equivalents	\$ 176,374	\$ -	\$ -	\$ 176,374	Daily	1
Fixed income <sup>1</sup>	78,376	326,325	(5,812)	398,889	Daily-Monthly	1-7
Global equity:						
					Daily-	
US equity <sup>2</sup>	268,496	221,322	188,689	678,507	Bi-annual	1-90
International	21,852	123,187	-	145,039	Daily - Monthly	1-10
Emerging markets	40,460	126,748	-	167,208	Daily - Quarterly	1-120
					Quarterly-	
Marketable alternative strategies <sup>3</sup>	-	141,471	737,198	878,669	Annual	30-180
Private equity/venture capital	-	-	952,914	952,914	Illiquid	Not Applicable
Real assets:						
						Day 1 -
Real estate <sup>4</sup>	13,259	192,241	336,454	541,954	Daily - Illiquid	Not Applicable
Other real assets	-	-	233,604	233,604	Illiquid	Not Applicable
Other investments	-	2,180	418	2,598	Not Applicable	Not Applicable
Total investments	598,817	1,133,474	2,443,465	4,175,756		
Other Assets:						
Investments held						
by bond trustees	22,834	-	-	22,834	Daily	1
Third-party charitable trusts	-	-	10,501	10,501	Not Applicable	Not Applicable
Total Assets	<u>\$ 621,651</u>	<u>\$ 1,133,474</u>	<u>\$ 2,453,966</u>	<u>\$ 4,209,091</u>		
Liabilities:						
Interest rate swap agreements	<u>\$ -</u>	<u>\$ (89,403)</u>	<u>\$ -</u>	<u>\$ (89,403)</u>	Not Applicable	Not Applicable

<sup>1</sup> Level 3 includes US Treasury forwards.

<sup>2</sup> US equity includes funds that may have restrictions on the ability to fully redeem up to five years, excluding special investments.

<sup>3</sup> Marketable alternative strategies includes one fund having an initial lock-up expiring on or before September 30, 2011. Other funds may have restrictions on the ability to fully redeem up to three years, excluding illiquid securities and special investments.

<sup>4</sup> Real estate investments include limited partnerships, which are illiquid, as well as directly held real estate.

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

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

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

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

Dartmouth College  
Notes to Financial Statements

and is reported at fair value. Other real asset investments, in addition to limited partnerships, include an exchange traded fund with underlying exposure to commodities.

The following tables present Dartmouth's activity for the fiscal years ended June 30, 2012 and 2011 for investments measured at fair value in Level 3 (in thousands):

	Marketable Alternative Strategies	Private Equity/Venture Partnerships	Real Assets	Other Assets	Total
Balance as of June 30, 2011	\$ 737,198	\$ 952,914	\$ 570,058	\$ 193,796	\$ 2,453,966
Transfers	(32,770)	-	-	6,165	(26,605)
Acquisitions / purchases	30,000	102,473	70,771	6,727	209,971
Distributions / sales	(28,823)	(167,314)	(86,072)	(26,131)	(308,340)
Investment income and realized gains	13,779	47,449	13,891	16,796	91,915
Unrealized gain (loss) on investments	(30,059)	26,118	81,642	29,459	107,160
Balance as of June 30, 2012	<u>\$ 689,325</u>	<u>\$ 961,640</u>	<u>\$ 650,290</u>	<u>\$ 226,812</u>	<u>\$ 2,528,067</u>

	Marketable Alternative Strategies	Private Equity/Venture Partnerships	Real Assets	Other Assets	Total
Balance as of June 30, 2010	\$ 699,023	\$ 960,632	\$ 502,683	\$ 53,965	\$ 2,216,303
Transfers	(10,053)	(124,240)	-	82,012	(52,281)
Acquisitions / purchases	30,000	138,013	78,430	117,688	364,131
Distributions / sales	(105,950)	(177,774)	(87,594)	(92,734)	(464,052)
Investment income and realized gains	44,405	45,505	20,884	618	111,412
Unrealized gain on investments	79,773	110,778	55,655	32,247	278,453
Balance as of June 30, 2011	<u>\$ 737,198</u>	<u>\$ 952,914</u>	<u>\$ 570,058</u>	<u>\$ 193,796</u>	<u>\$ 2,453,966</u>

Included in Other Assets in the above tables are fixed income, US equity, other investments, and third-party charitable trusts.

Dartmouth owns an interest in each alternative investment fund rather than in the securities underlying each fund, therefore, it is generally required to categorize such investments as Level 2 or 3, even though the underlying securities may be readily marketable. Also, the level in the fair value hierarchy in which each fund's fair value measurement is classified is based on the lowest level input that is significant to the fund in its entirety (e.g., a fund with a mix of underlying Level 1 and Level 3 investments would be classified entirely as a Level 3 investment). Accordingly, 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.

At June 30, 2012, Dartmouth's outstanding commitments to limited partnerships totaled \$414,726,000. The anticipated draw down for these commitments is typically between 1 and 5 years with remaining fund lives typically between 1 and 12 years. The structure of these investments is such that there is no ability to redeem.

From time to time Dartmouth enters into foreign currency forward contracts and government bond futures to efficiently manage portfolio exposures to global currencies and interest rates. These instruments may be used to hedge the portfolio from unwanted currency and interest rate risk, but also to efficiently implement active duration and relative value currency strategies. The notional value of the contracts may vary significantly based on the expirations and/or initiation of these contracts as of June 30. At June 30, 2012 and 2011, Dartmouth held forward contracts to buy foreign currencies in the amount of \$9,225,000 and \$101,359,000, respectively, and to sell foreign currencies in the amount of \$1,285,000 and \$97,618,000, respectively. The difference between the estimated notional value of open futures contracts to sell and purchase securities was a net short position of \$11,644,000 and \$67,294,000 as of June 30, 2012 and 2011, respectively. 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, 2012 and 2011, the market value of Dartmouth's pledged collateral on futures contracts was \$925,000 and \$1,337,000, respectively.

Dartmouth College  
Notes to Financial Statements

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. As of June 30, 2012, the total notional amount of credit default swap contracts for buyer protection was \$11,624,000 and the notional amount related to sell protection was \$28,509,000. The fair value of these contracts at June 30, 2012 was approximately \$1,155,000 and (\$1,846,000), respectively, and is included in the Statement of Financial Position as investments at fair value. The losses on these contracts as of June 30, 2012 were \$310,000 and \$342,000, respectively, and are presented in the operating and non-operating sections of the Statement of Activities.

**E. Endowment**

The changes in fair value of net assets held in endowment and similar funds for the years ended June 30 were as follows (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2011	\$ 832,709	\$ 1,684,361	\$ 896,336	\$ 3,413,406
Investment return:				
Investment income	5,449	17,709	-	23,158
Net gain in fair value:				
Realized	19,932	62,973	-	82,905
Unrealized	<u>21,403</u>	<u>69,247</u>	<u>586</u>	<u>91,236</u>
Total investment return	46,784	149,929	586	197,299
Gifts	8	858	48,831	49,697
Distribution of endowment return to all funds	(44,142)	(138,714)	-	(182,856)
Other changes, net	<u>(1,848)</u>	<u>3,928</u>	<u>6,758</u>	<u>8,838</u>
<b>Endowment net assets, June 30, 2012</b>	<u><b>\$ 833,511</b></u>	<u><b>\$ 1,700,362</b></u>	<u><b>\$ 952,511</b></u>	<u><b>\$ 3,486,384</b></u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2010	\$ 741,904	\$ 1,428,789	\$ 827,609	\$ 2,998,302
Investment return:				
Investment income	5,693	17,818	-	23,511
Net gain in fair value:				
Realized	28,481	87,785	-	116,266
Unrealized	<u>107,142</u>	<u>293,519</u>	<u>1,111</u>	<u>401,772</u>
Total investment return	141,316	399,122	1,111	541,549
Gifts	60	827	39,451	40,338
Distribution of endowment return to all funds	(41,484)	(133,415)	-	(174,899)
Other changes, net	<u>(9,087)</u>	<u>(10,962)</u>	<u>28,165</u>	<u>8,116</u>
<b>Endowment net assets, June 30, 2011</b>	<u><b>\$ 832,709</b></u>	<u><b>\$ 1,684,361</b></u>	<u><b>\$ 896,336</b></u>	<u><b>\$ 3,413,406</b></u>

Other changes include additions to the endowment from the maturity of split-interest agreements and net transfers resulting from changes in donor restrictions or Dartmouth designations.

Included in temporarily restricted endowment net assets at the end of the year is the remaining amount of expendable accumulated appreciation on permanent endowment funds of \$1,401,622,000 and \$1,392,904,000 at June 30, 2012 and 2011, respectively.

Endowment net assets consist of the following as of June 30, 2012 (in thousands):

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,633,792	\$ 952,511	\$ 2,586,303
Board-designated endowment funds	<u>833,511</u>	<u>66,570</u>	<u>-</u>	<u>900,081</u>
Total endowment net assets	<u><b>\$ 833,511</b></u>	<u><b>\$ 1,700,362</b></u>	<u><b>\$ 952,511</b></u>	<u><b>\$ 3,486,384</b></u>

Dartmouth College  
Notes to Financial Statements

Endowment net assets consist of the following as of June 30, 2011 (in thousands):

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ (68)	\$ 1,619,732	\$ 896,336	\$ 2,516,000
Board-designated endowment funds	832,777	64,629	-	897,406
Total endowment net assets	<u>\$ 832,709</u>	<u>\$ 1,684,361</u>	<u>\$ 896,336</u>	<u>\$ 3,413,406</u>

From time to time, the fair values of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. In accordance with GAAP, events of this nature are reported as reductions in unrestricted net assets and were \$0 and \$68,000 as of June 30, 2012 and 2011, respectively. These events were a result of market declines since the endowment funds were established. A Board of Trustees policy limits the distribution from these funds to current income only.

Dartmouth employs a total return endowment utilization policy that establishes the amount of investment return made available for spending each fiscal year. The amount appropriated for expenditure each year is independent of the actual return for the year, but the appropriated amount cannot exceed the total accumulated return in an individual fund at the time of distribution. The Board approves the formula that determines the amount appropriated from endowment each year. Investment return earned in excess of the amount appropriated annually is reinvested in the funds, but can be appropriated in future years in accordance with the utilization policy. The net appreciation on most of the permanently and temporarily restricted endowment funds is reported together with temporarily restricted net assets until such time as all or a portion of the appreciation is appropriated for spending in accordance with the utilization policy and applicable state law.

The overall investment performance objective for the endowment is to generate real (inflation-adjusted) returns net of investment expenses sufficient to support Dartmouth's current operating needs while maintaining the long-term purchasing power of the endowment. Historical averages indicate that an annual return between 8% - 10% is needed to meet this goal. The Investment Committee of the Board of Trustees has determined that a well-diversified mix of assets offers the best opportunity for maximum return with acceptable risk over time. Dartmouth relies on a total return strategy in which investment returns are achieved through both capital appreciation (both realized and unrealized) and current yield (interest and dividends). Investment decisions are made with a view toward maximizing long-term return opportunities while maintaining an acceptable level of investment risk and liquidity.

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

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

	2012	2011
Land	\$ 19,090	\$ 19,090
Buildings	1,011,851	870,189
Land improvements	98,601	94,099
Equipment	<u>268,719</u>	<u>235,641</u>
Land, buildings, and equipment	\$ 1,398,261	\$ 1,219,019
Less: accumulated depreciation	(604,284)	(555,726)
Construction in progress	<u>133,717</u>	<u>200,334</u>
<b>Total net book value</b>	<u>\$ 927,694</u>	<u>\$ 863,627</u>

Dartmouth has conditional asset retirement obligations arising from legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets, including asbestos abatement, leasehold improvements, hazardous materials, and equipment disposal and cleanup. The liability was initially recorded at fair value, and is adjusted for accretion expense, and changes in the amount or timing of cash flows. The corresponding asset retirement costs are capitalized as part of the carrying values of the related long-lived assets and depreciated over the useful lives of the assets.

Dartmouth College  
Notes to Financial Statements

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

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

	<u>Fiscal Year</u> <u>Maturity</u>	<u>Interest Rate</u>	<u>2012</u>	<u>2011</u>
New Hampshire Health and Education Facilities Authority (NHHEFA):				
Tax-Exempt Fixed Rate:				
Series 2009	2019 – 2039	3.30% - 4.77%	\$ 198,875	\$ 198,875
Tax-Exempt Variable Rate:				
Series 2002	2032	.04% - .24%	101,000	101,000
Series 2003	2023	.04% - .24%	89,300	92,800
Series 2007A	2031	.02% - .26%	89,800	89,840
Series 2007B	2041	.02% - .26%	75,000	90,000
NHHEFA through DELC:				
Fixed Rate:				
Series 1985	2025	5.30% - 5.45%	-	9,795
Series 1998A	2023	5.55%	-	15,300
Series 1999	2039	6.19%	-	9,940
<b>Subtotal Tax-Exempt bonds</b>			<u>\$ 553,975</u>	<u>\$ 607,550</u>
Taxable Bonds:				
NHHEFA Variable Rate:				
Series 2007C	2041	.11% - .24%	30,000	30,000
Fixed Rate				
Series 2009	2019	4.75%	250,000	250,000
Series 2012A	2042	4.00%	70,000	-
Series 2012B	2043	3.76%	150,000	-
<b>Subtotal taxable bonds</b>			<u>\$ 500,000</u>	<u>\$ 280,000</u>
<b>Subtotal bonds</b>			<u>\$ 1,053,975</u>	<u>\$ 887,550</u>
Mortgages on real estate investments:				
Fixed Rate	2017 - 2036	4.34% - 5.61%	51,665	48,011
Taxable commercial paper note:				
Variable Rate		.13% to .22%	19,000	7,000
<b>Subtotal bonds, mortgages and notes payable</b>			<u>\$ 1,124,640</u>	<u>\$ 942,561</u>
Original issue premium, net			<u>4,235</u>	<u>4,207</u>
<b>Total bonds, mortgages, and notes payable, net</b>			<u>\$ 1,128,875</u>	<u>\$ 946,768</u>

Included in interest and amortization presented on the Statement of Operating Expenses is interest expense on debt (including payments on interest rate swap agreements) used to finance facilities projects of \$22,628,000 and \$16,638,000, and on other operating indebtedness of \$129,000 and \$141,000 for the years ended June 30, 2012 and 2011, respectively. In addition, interest paid on debt used to finance facilities projects of \$1,696,000 and \$6,976,000 was capitalized in connection with various construction projects for the years ended June 30, 2012 and 2011, respectively.

Interest expense on debt used to finance student loans totaled \$1,318,000 and \$1,993,000 for the years ended June 30, 2012 and 2011, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on other non-operating indebtedness totaled \$17,772,000 and \$17,749,000 for the years ended June 30, 2012 and 2011, respectively, and is presented as a deduction from other non-operating earnings in the Statement of Activities. Interest expense on mortgages and debt used to finance endowment-related real estate projects totaled \$2,623,000 and \$2,439,000 for the years ended June 30, 2012 and 2011, respectively, and is presented as a deduction in endowment net investment return in the Statement of Activities. Total interest expenses included in the Statement of Activities is \$44,470,000 and \$38,960,000 for the years ended June 30, 2012 and 2011, respectively.

Dartmouth College  
Notes to Financial Statements

The aggregate amounts of principal due for each of the next five years ending June 30 and thereafter are as follows (in thousands):

June 30	Principal Due
2013	\$ 25,953
2014	8,516
2015	8,882
2016	9,155
2017	27,628
Thereafter	1,044,506
Total	\$ 1,124,640

Principal due after June 30, 2017, includes the following "balloon" payments due on Dartmouth's indebtedness (in thousands):

June 30	Indebtedness	Payment
2019	NHHEFA Series 2009 bonds	\$ 7,920
2019	2009 Series A bonds	\$ 250,000
2027	NHHEFA Series 2007A bonds	\$ 31,820
2028	NHHEFA Series 2009 bonds	\$ 32,190
2028	NHHEFA Series 2007A bonds	\$ 52,060
2029	NHHEFA Series 2009 bonds	\$ 20,000
2031	NHHEFA Series 2007A bonds	\$ 5,120
2032	NHHEFA Series 2002 bonds	\$ 101,000
2036	NHHEFA Series 2007B bonds	\$ 18,000
2039	NHHEFA Series 2009 bonds	\$ 138,765
2041	NHHEFA Series 2007B bonds	\$ 57,000
2041	NHHEFA Series 2007C bonds	\$ 30,000
2042	2012 Series A bonds	\$ 70,000
2043	2012 Series B bonds	\$ 150,000

The estimated fair value of the bonds was approximately \$1,146,338,000 and \$930,245,000 as of June 30, 2012 and 2011, respectively, based on the debt service cash flows of the bonds and certain interest rate assumptions for similar bonds.

The NHHEFA bonds are a general obligation collateralized only by Dartmouth's pledge of full faith and credit and by funds held from time to time by the trustee for the benefit of the holders of the bonds under the respective bond resolutions. Dartmouth has agreed to certain covenants with respect to encumbrance or disposition of its core campus.

During fiscal year 2009, Dartmouth entered into six interest rate swap agreements. Information related to these interest rate swap agreements as of June 30, 2012, including the fixed interest rate paid by Dartmouth and percent of LIBOR BBA (1 month) received on the notional principal, is presented in the table below (in thousands):

Expiration Date	Notional Amount	Fixed Interest Rate %	% of LIBOR BBA
06/01/2032	\$ 100,000	3.75	67
06/01/2041	\$ 100,000	3.73	70
06/01/2027	\$ 31,950	3.77	72
06/01/2028	\$ 52,730	3.78	72
06/01/2042	\$ 100,000	3.73	70
06/01/2043	\$ 165,000	3.73	70

The fair value of these agreements at June 30, 2012 and 2011, based on various factors contained in the interest rate swap agreements and certain interest rate assumptions, was approximately \$216,306,000 and \$89,403,000, respectively. The increase of \$126,903,000 in the liability for the year ended June 30, 2012 is presented as an unrealized loss and the decrease of \$27,771,000 in the liability for the year ended June 30, 2011 is presented as an unrealized gain in the non-operating section of

Dartmouth College  
Notes to Financial Statements

the Statement of Activities. Net payments or receipts under the swap agreements associated with facilities debt are reflected as interest expense. These financial instruments involve counter-party credit exposure. During fiscal 2011, Dartmouth added a new counter-party through the novation of two of the swap agreements. The counter-parties for these swap transactions are three major financial institutions that meet Dartmouth's criteria for financial stability and creditworthiness.

Dartmouth maintains stand-by bond purchase agreements totaling approximately \$420,000,000 to provide alternative liquidity to support its variable rate bonds. There were no amounts outstanding at June 30, 2012 and 2011 under these agreements.

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

**H. Pension and Other Employment Related Obligations**

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

	<u>2012</u>	<u>2011</u>
Retirement and postretirement benefits	\$ 289,168	\$ 236,728
Compensated absences, severance plans, and other commitments	16,630	20,104
Self-insured benefits	<u>10,182</u>	<u>10,991</u>
<b>Total employment related obligations</b>	<u>\$ 315,980</u>	<u>\$ 267,823</u>

In fiscal year 1998, Dartmouth revised its pension benefit for staff and non-union service employees, giving each participant a one-time option to either remain in the defined benefit plan or enroll in the defined contribution plan effective January 1, 1998. Staff and non-union service employees hired since that date receive retirement benefits under the defined contribution plan. Effective January 1, 2006, all union employees are enrolled in the defined contribution plan.

Dartmouth's postretirement medical benefits consist of medical insurance coverage for retirees. Employees hired prior to July 1, 2009 that are 55 or older and have at least ten consecutive years of service in a benefits-eligible position immediately prior to retirement are currently eligible for Retiree Medical Benefits. Dartmouth currently contributes to the cost of medical benefits based on the employee's annual salary, age, and years of service as of June 30, 2009. Plan benefits currently mirror current employee health benefits for retirees under age of 65. 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 health insurance if they qualify at retirement.

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

	<u>Pension Benefits</u>		<u>Postretirement Benefits</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Change in benefit obligation:</b>				
Beginning of year	\$ 105,642	\$ 111,776	\$ 217,928	\$ 261,719
Service cost	2,268	2,944	6,915	11,388
Interest cost	5,407	5,831	12,899	14,897
Plan amendments	-	-	(18,897)	-
Benefits paid	(7,266)	(9,496)	(4,138)	(4,178)
Actuarial (gain)/loss	<u>14,869</u>	<u>5,413</u>	<u>59,977</u>	<u>(65,898)</u>
End of year	<u>\$ 120,920</u>	<u>\$ 105,642</u>	<u>\$ 274,684</u>	<u>\$ 217,928</u>
<b>Change in estimated fair value of plan assets:</b>				
Beginning of year	\$ 92,189	\$ 85,061	\$ -	\$ -
Actual return on plan assets	23,595	11,974	-	-
Employer contributions	4,000	4,650	4,138	4,178
Benefits paid	<u>(7,266)</u>	<u>(9,496)</u>	<u>(4,138)</u>	<u>(4,178)</u>
End of year	<u>\$ 112,518</u>	<u>\$ 92,189</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Funded status (plan assets less than benefits obligation)</b>	<u>\$ (8,402)</u>	<u>\$ (13,453)</u>	<u>\$ (274,684)</u>	<u>\$ (217,928)</u>

Dartmouth College  
Notes to Financial Statements

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

Service cost	\$ 2,268	\$ 2,944	\$ 6,915	\$ 11,388
Interest cost	5,407	5,831	12,899	14,897
Expected return on assets	(6,203)	(6,772)	-	-
Amortization of prior service cost (credit)	240	855	(4,158)	(4,158)
Recognized net actuarial loss	<u>1,668</u>	<u>1,588</u>	<u>-</u>	<u>3,661</u>
Net periodic benefit cost	<u>\$ 3,380</u>	<u>\$ 4,446</u>	<u>\$ 15,656</u>	<u>\$ 25,788</u>

**Weighted-average assumptions:**

Discount rate used to determine net periodic benefit cost	5.40%	5.40%	6.00%	5.75%
Expected return on plan assets	6.80%	7.50%	-	-
Rate of compensation increase	3.00%	3.00%	-	-
Discount rate used to determine benefit obligations	4.40%	5.40%	4.95%	6.00%

The estimated net (income) cost that will be amortized into net periodic benefit cost during the 2013 fiscal year for the pension benefits and the postretirement benefits are \$3,457,608 and (\$4,516,870), respectively.

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

	<u>Pension Benefits</u>	<u>Post-retirement Benefits</u>	<u>Total 2012</u>	<u>Total 2011</u>
Amounts recognized in non-operating activities:				
Net actuarial gain (loss)	\$ 2,524	\$ (59,977)	\$ (57,453)	\$ 76,512
Amortization of gain	1,668	-	1,668	5,249
Plan amendments	-	18,897	18,897	-
Amortization of prior service cost (credit)	<u>240</u>	<u>(4,158)</u>	<u>(3,918)</u>	<u>(3,303)</u>
Total non-operating gain (loss)	4,432	(45,238)	(40,806)	78,458
Amounts recognized in operating activities:				
Net periodic benefit cost	<u>(3,380)</u>	<u>(15,656)</u>	<u>(19,036)</u>	<u>(30,234)</u>
Total gain (loss)	<u>\$ 1,052</u>	<u>\$ (60,894)</u>	<u>\$ (59,842)</u>	<u>\$ 48,224</u>

The following table summarizes the defined benefit pension plan investments by their fair value hierarchy classification as of June 30, 2012 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 570	\$ -	\$ -	\$ 570
Global equity	-	59,584	-	59,584
Fixed income	-	48,216	-	48,216
Limited partnerships	<u>-</u>	<u>-</u>	<u>4,148</u>	<u>4,148</u>
Total investments	<u>\$ 570</u>	<u>\$ 107,800</u>	<u>\$ 4,148</u>	<u>\$ 112,518</u>

The following table summarizes the defined benefit pension plan investments by their fair value hierarchy classification as of June 30, 2011 (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 4,198	\$ -	\$ -	\$ 4,198
Fixed income <sup>1</sup>	-	83,971	-	83,971
Limited partnerships <sup>2</sup>	<u>-</u>	<u>-</u>	<u>4,020</u>	<u>4,020</u>
Total investments	<u>\$ 4,198</u>	<u>\$ 83,971</u>	<u>\$ 4,020</u>	<u>\$ 92,189</u>

<sup>1</sup> This category includes fixed income commingled funds and other financial instruments related to fixed income products.

<sup>2</sup> This category includes investments in venture capital, private equity, and other real asset funds.

Dartmouth College

Notes to Financial Statements

The following table presents activity for the fiscal year ended June 30, 2012 and 2011 for the defined benefit pension plan investments measured at fair value in Level 3 (in thousands):

	Limited	
	Partnerships	Total
Balance as of June 30, 2011	\$ 4,020	\$ 4,020
Acquisitions / purchases	353	353
Distributions / sales	(622)	(622)
Investment return	211	211
Unrealized gains on investments	186	185
Balance as of June 30, 2012	\$ 4,148	\$ 4,148

	Limited		
	Partnerships	Real Estate	Total
Balance as of June 30, 2010	\$ 3,702	\$ 3,461	\$ 7,163
Acquisitions / purchases	355	-	355
Distributions / sales	(682)	(3,638)	(4,320)
Investment return	279	40	319
Unrealized gains on investments	366	137	503
Balance as of June 30, 2011	\$ 4,020	\$ -	\$ 4,020

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

Dartmouth makes annual contributions to maintain plan funding on an actuarially recommended basis. Dartmouth currently expects to contribute approximately \$4,000,000 to the Plan in fiscal year 2013.

Benefit payments, which reflect expected future service, as appropriate, are expected to be paid in each of the next five years ending June 30 and thereafter as follows (in thousands):

	Pension Benefits	Postretirement Benefits
2013	\$ 11,900	\$ 6,551
2014	8,400	7,025
2015	8,400	7,572
2016	8,600	8,118
2017	8,600	8,733
Years 2018 -2022	42,000	54,441

Assumed health care cost trend rates have a significant effect on the estimated amounts reported for the postretirement benefit plan. The medical cost trend rates for pre-age 65 and post-age 65 retirees, respectively, are assumed to be 8.0% and 7.75% in year 2013, decrease gradually to 5% and 5.5% in fiscal year 2018, and remain level thereafter. Dartmouth's estimate of postretirement benefit expense and obligations also reflects the impact of the Medicare Prescription Drug Improvement and Modernization Act, which provides for tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage.

A one percentage point increase (decrease) in assumed health care cost trend rates would have the following effect (in thousands):

Increase (decrease) in total of service and interest cost components	\$ 5,099	\$ (3,963)
Increase (decrease) in postretirement benefit obligation	\$ 55,318	\$ (44,804)

Dartmouth College  
Notes to Financial Statements

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Dartmouth also maintains defined contribution retirement plans for its employees. These benefits are individually funded and are subject to various vesting requirements. Under these arrangements, Dartmouth makes monthly contributions to individual self-directed retirement investment accounts for the participants. These contributions for the years ended June 30, 2012 and 2011 were \$22,846,000 and \$22,696,000, respectively. Dartmouth also maintains deferred compensation plans. The liabilities for the plans are included in pension and other employment related obligations in the Statement of Financial Position.

**I. Other Operating Income**

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

	2012	2011
Medical School clinical services and other support	\$ 51,671	\$ 49,951
Foreign study and continuing education programs	12,971	11,558
Student activities and other program revenue	11,429	11,853
Athletics revenues	3,878	3,774
Hopkins Center and Hood Museum	1,412	1,282
Other revenues	23,475	20,194
Investment income	21,872	19,514
<b>Total other operating income</b>	<b>\$ 126,708</b>	<b>\$ 118,126</b>

**J. Net Assets**

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

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Detail of net assets:</b>				
Operating funds	\$ 328,748	\$ 74,753	\$ -	\$ 403,501
Pledges	-	110,972	31,804	142,776
Postretirement and pension benefit obligations	(283,086)	-	-	(283,086)
Third-party charitable trusts	-	7,712	5,899	13,611
Facilities and capital funds	330,852	40,501	-	371,353
Interest rate swap agreements	(216,306)	-	-	(216,306)
Student loan funds	12,351	29,012	-	41,363
Life income, annuity, and similar funds	-	27,937	30,017	57,954
Endowment funds	833,511	1,700,362	952,511	3,486,384
<b>Total net assets</b>	<b>\$ 1,006,070</b>	<b>\$ 1,991,249</b>	<b>\$ 1,020,231</b>	<b>\$ 4,017,550</b>

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Detail of net assets:</b>				
Operating funds	\$ 289,940	\$ 67,636	\$ -	\$ 357,576
Pledges	-	130,352	43,135	173,487
Postretirement and pension benefit obligations	(231,381)	-	-	(231,381)
Third-party charitable trusts	-	7,291	3,210	10,501
Facilities and capital funds	294,822	50,119	-	344,941
Interest rate swap agreements	(89,403)	-	-	(89,403)
Student loan funds	12,657	27,422	-	40,079
Life income, annuity, and similar funds	-	29,376	30,878	60,254
Endowment funds	832,709	1,684,361	896,336	3,413,406
<b>Total net assets</b>	<b>\$ 1,109,344</b>	<b>\$ 1,996,557</b>	<b>\$ 973,559</b>	<b>\$ 4,079,460</b>

Dartmouth College  
Notes to Financial Statements

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**K. Commitments and Contingencies**

Outstanding commitments on uncompleted construction contracts total \$14,920,000 at June 30, 2012.

All funds expended by Dartmouth in connection with government sponsored grants and contracts are subject to audit by governmental agencies. The ultimate liability, if any, from such audits, is not expected to have a material adverse effect on Dartmouth's financial position.

In conducting its activities, Dartmouth from time to time is the subject of various claims and also has claims against others. The ultimate resolution of such claims is not expected to have either a material adverse or favorable effect on Dartmouth's financial position.

**L. Third-Party Charitable Trusts**

As described in Note A, a split-interest agreement is a donor arrangement, such as a charitable trust, under which Dartmouth receives benefits that are shared with other beneficiaries. GAAP requires Dartmouth to report at estimated fair value its interest in an irrevocable split-interest agreement when Dartmouth is notified of an agreement's existence. When Dartmouth is not the trustee of the assets associated with a split-interest agreement, Dartmouth recognizes these assets only when notified of the existence of the trust and when reliable information about the fair value of its interest is provided by the third-party trustee. 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.

As of June 30, 2012 and 2011, third-party trustees have not provided Dartmouth with sufficient information necessary to estimate the fair value of Dartmouth's interest in certain trusts. Dartmouth has not recorded an asset in connection with these trusts due to the uncertainty surrounding the potential value of Dartmouth's interest in these trusts as of June 30, 2012 and 2011. If Dartmouth's interest in these trusts were reflected on the Statement of Financial Position, Dartmouth's assets and net assets would be greater than the amounts reported in the accompanying financial statements.

**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 Policy with regard to pecuniary benefit transactions, as defined by New Hampshire law, including but not limited to Dartmouth investment in investment vehicles in which Trustees have a financial interest. These policies include, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of Dartmouth, and in accordance with applicable conflict of interest laws.

**N. Subsequent Events**

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2012 and through November 10, 2012, the date on which the financial statements were issued.

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
Research and development cluster:		
American Recovery and Reinvestment Act:		
47.082 National Science Foundation (NSF)	ANT-0838896	\$ 17,123
47.082 National Science Foundation (NSF)	ANT-0838950	24,184
47.082 National Science Foundation (NSF)	ANT-0840669	33,513
47.082 National Science Foundation (NSF)	ARC-0908156	108,788
47.082 National Science Foundation (NSF)	ARC-0909270	73,459
47.082 National Science Foundation (NSF)	AST-0908345	60,377
47.082 National Science Foundation (NSF)	ATM-0921979	30,603
47.082 National Science Foundation (NSF)	CHE-0848354	122,666
47.082 National Science Foundation (NSF)	CHE-0910746	99,059
47.082 National Science Foundation (NSF)	CNS-0910842	911,088
47.082 National Science Foundation (NSF)	DEB-0841862	190,206
47.082 National Science Foundation (NSF)	DMR-0905229	84,071
47.082 National Science Foundation (NSF)	EAR-0911071	141,502
47.082 National Science Foundation (NSF)	ECCS-0925280	73,413
47.082 National Science Foundation (NSF)	EF-0842267	101,484
47.082 National Science Foundation (NSF)	IIS-0905206	75,750
47.082 National Science Foundation (NSF)	PHY-0903727	122,873
47.082 University of California, Santa Cruz	S0183459	47,186
81.000 General Electric	400079933	129,239
81.135 Massachusetts Institute of Technology	5710002882	209,856
93.000 Research Foundation for Mental Hygiene, Inc.	1007967	(6,832)
93.000 Health Resources & Svcs Admin (HRSA) (Non LOC)	HHS250200900056C	197,570
93.000 ICF Macro	635243-10S-1567	404,928
93.000 University of Washington	706310Z	120,874
93.000 Booz Allen Hamilton, Inc.	101311SB23	170,088
93.242 Research Foundation for Mental Hygiene, Inc.	HHSN-271-2009-00020C	1,448
93.243 MANILA Consulting Group, Inc.	283-07-4005	162,666
93.279 Feinstein Institute for Medical Research	DMS01	111,484
93.393 University of North Carolina at Chapel Hill	5-31056	209,928
93.411 Health Resources & Svcs Admin (HRSA)	1D76HP20908-01	37,089
93.701 Beth Israel Deaconess Medical Center	1023726	(31,266)
93.701 Children's Hospital Boston	328984	14,922
93.701 EMMES Corporation	N/A	401
93.701 Group Health Research Institute	2010116369	113,487
93.701 Harvard University	149728.386555.0202	58,466
93.701 National Development and Research Institutes, Inc.	612B	8,971
93.701 Nat'l Cancer Institute (NCI)	K07CA102327	(270)
93.701 Nat'l Cancer Institute (NCI)	K07CA113949	12,561
93.701 Nat'l Cancer Institute (NCI)	P30CA023108	620,081
93.701 Nat'l Cancer Institute (NCI)	R01CA057359	130,683
93.701 Nat'l Cancer Institute (NCI)	R01CA077026	182,163
93.701 Nat'l Cancer Institute (NCI)	R01CA098286	(13)
93.701 Nat'l Cancer Institute (NCI)	R01CA105038	29,715
93.701 Nat'l Cancer Institute (NCI)	R01CA108539	14,250
93.701 Nat'l Cancer Institute (NCI)	R01CA118443	32,452
93.701 Nat'l Cancer Institute (NCI)	R01CA123079	71,007
93.701 Nat'l Cancer Institute (NCI)	R01CA124515	(4,569)
93.701 Nat'l Cancer Institute (NCI)	R01CA124634	10,962
93.701 Nat'l Cancer Institute (NCI)	R01CA131141	277,540
93.701 Nat'l Cancer Institute (NCI)	R01CA132750	720
93.701 Nat'l Cancer Institute (NCI)	T32CA009658	10,816
93.701 Nat'l Cancer Institute (NCI)	UC2CA148259	1,465,638
93.701 Nat'l Center for Research Resources (NCRR)	P20RR016437	164,667
93.701 Nat'l Center for Research Resources (NCRR)	P30RR018787	872,553
93.701 Nat'l Center for Research Resources (NCRR)	R21RR024411	105,425
93.701 Nat'l Center for Research Resources (NCRR)	S10RR025084	645,000
93.701 Nat'l Center for Research Resources (NCRR)	S1RR025048	(3,684)
93.701 Nat'l Heart Lung & Blood Institute (NHLBI)	R01HL073442	101,689
93.701 Nat'l Heart Lung & Blood Institute (NHLBI)	R01HL090036	(57)
93.701 Nat'l Heart Lung & Blood Institute (NHLBI)	R01HL092085	57,143
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R01AI084121	282,907
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R21AI079369	70,619

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R21AI081242	\$ 5,945
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R01AI076298	30,933
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R01AI078195	19,533
93.701 Nat'l Inst of Allergy & Infectious Diseases (NIAID)	R21AI084570	24,824
93.701 Nat'l Inst of Arth & Musculoskeletal Skin (NIAMS)	R01AR049834	4,955
93.701 Nat'l Inst of Arth & Musculoskeletal Skin (NIAMS)	T32AR049710	19,126
93.701 Nat'l Inst of Biomed Imaging & Bioeng (NIBIB)	RC1EB011000	177,952
93.701 Nat'l Inst of Child Health & Human Devel (NICHD)	R01HD047242	72,782
93.701 Nat'l Inst of Child Health & Human Devel (NICHD)	R01HD049762	91,178
93.701 Nat'l Inst of Child Health & Human Devel (NICHD)	R21HD060829	138,505
93.701 Nat'l Inst of Diabetes & Digest & Kidney (NIDDK)	R56DK025336	28,531
93.701 Nat'l Inst of Diabetes & Digest & Kidney (NIDDK)	R21DK089268	113,199
93.701 Nat'l Inst of Environmental Health Science (NIEHS)	P42ES007373	35,499
93.701 Nat'l Inst of General Medical Sciences (NIGMS)	P01GM068087	326,090
93.701 Nat'l Inst of General Medical Sciences (NIGMS)	P30GM092357	203,830
93.701 Nat'l Inst of General Medical Sciences (NIGMS)	R01GM020379	5,052
93.701 Nat'l Inst of General Medical Sciences (NIGMS)	T32GM008704	16,933
93.701 Nat'l Inst of Mental Health (NIMH)	R01MH080716	129,069
93.701 Nat'l Inst of Neurological Disord & Stroke (NINDS)	P30NS069288	646,417
93.701 Nat'l Inst on Aging (NIA)	RC1AG036268	140,700
93.701 Nat'l Inst on Deafness & Othr Comm Disord (NIDCD)	R01DC009318	4,793
93.701 Nat'l Inst on Drug Abuse (NIDA)	R01DA025211	643
93.701 Nat'l Inst on Drug Abuse (NIDA)	R01DA026799	517,342
93.701 Nat'l Inst on Drug Abuse (NIDA)	R01DA027414	119,956
93.701 Saint Louis University	N/A	5,237
93.701 University of California, Los Angeles	1580G MD852	121
93.701 University of California, San Diego	CTA #136-DART	(36,471)
93.701 University of Miami	M153124	6,717
93.701 University of Washington	666287Z	3,378
93.715 Agency for Healthcare Research & Quality	R18HS019942	521,876
93.728 University of Illinois	2010-03958-11	297,564
93.866 National Bureau of Economic Research	33-4112-01-0-80-244	138,271
American Recovery and Reinvestment Act total		<u>13,191,142</u>
U.S. Department of Health and Human Services:		
Direct awards (93.RD):		
National Institute of Health		82,126,545
Public Health Services Center		3,437,573
Subtotal		<u>85,564,118</u>
Subagreements:		
93.000 Abt Associates, Inc.	26820	14,540
93.000 Advanced BioScience Laboratories, Inc.	11-14005-001-0155-212	570,867
93.000 American College of Radiology	ACRIN 6654	228,802
93.000 American College of Radiology	RTOG	52,149
93.000 Aspen Medisys, LLC	N/A	52,925
93.000 Brown University	PO #P262083	100,204
93.000 Children's Hospital Boston	411688	651,861
93.000 Dana Farber Cancer Institute	UNIV OF CHICAGO	146,065
93.000 Duke University	Z10/Z11	15,889
93.000 Fast-Track Drugs and Biologics, Inc.	NCIG-003	634,219
93.000 Feinstein Institute for Medical Research	DMS01-NON-ARRA	108,482
93.000 Georgetown University	RX 4464-006-DC	21,558
93.000 Group Health Research Institute	2011120785	22,383
93.000 ImmuRx Inc.	N/A	185,034
93.000 Indiana University	Amend #3	97,959
93.000 Institute of Medicine	IOM-2000000524	91,095
93.000 Institute of Medicine	IOM-2000000711	10,000
93.000 Les Centres Gheskio	N/A	16,295
93.000 Massachusetts General Hospital	217706	171,218
93.000 Mount Sinai School of Medicine	MSSM CT	2,746
93.000 NH Dept of Health & Human Services	1021329	199,290
93.000 North American Contact Dermatitis Group (NACDG)	211-2005-14339	600
93.000 Omnix, Inc.	N/A	72,303
93.000 Psychological Applications	N/A	6,691

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
93.000 Simbex	HD48638	\$ 81,373
93.000 University of California, San Francisco	106641	32,441
93.000 University of Rochester	415187-G	55
93.000 University of Rochester	5-24602	155,919
93.000 University of Rochester	415519-G	241,658
93.000 University of South Florida	U01-DK061055	11,054
93.000 University of Vermont	25992-Dartmouth	20,069
93.000 University of Virginia	GC11875-138722	296,242
93.000 Westat, Inc.	8625.03-S01	85,645
93.069 NH Div of Public Health Services	PO #1002363	(13,325)
93.069 NH Div of Public Health Services	N/A	5,380
93.069 NH Div of Public Health Services	1002363	14,532
93.103 Children's Hospital Boston	268893	9,047
93.110 University of Massachusetts, Worcester	6133951/RFS2011043	24,388
93.127 Brigham & Women's Hospital	N/A	930
93.143 Duke University	08-SC-NIH-1070	29,469
93.226 University of Michigan	3001694180	42,504
93.242 Allegheny-Singer Research Institute	N/A	93,710
93.242 Butler Hospital	9176-8324	26,157
93.242 Butler Hospital	9176-8340	7,552
93.242 Illinois Institute of Technology	SA453-1102-6157	11,609
93.242 Johns Hopkins University	2000990332	36,812
93.242 Northern California Institute for Research & Education	VIN1478/Re: 071298	20,682
93.242 Places for People, Inc.	PRE-AWARD	5,406
93.242 Princeton University	1524	3,758
93.242 Rutgers the State University	4546	4,866
93.242 Social & Scientific Systems, Inc	BRS-IMPCT-Q-06-00144-T001	(44,119)
93.242 Univ of Colorado-Denver & Health Sciences Center	FY10.513.003	14,338
93.242 University of California, San Diego	10288895	11,904
93.242 University of Vermont	22605	109,536
93.242 University of Washington	722320	15,249
93.242 University of Washington	PRE-AWARD	4,937
93.242 University of Wisconsin-Madison	X330783	10,122
93.243 Community Connections	79204	20,849
93.243 Community Connections	1H79SM058316-01	10,403
93.273 National Development and Research Institutes, Inc.	622A & 622B	50,212
93.279 Massachusetts General Hospital	206321	64,046
93.279 Miriam Hospital	710-9865	79,918
93.279 National Development and Research Institutes, Inc.	605C	19,740
93.279 National Development and Research Institutes, Inc.	617B	10,766
93.279 National Development and Research Institutes, Inc.	618B	64,604
93.279 National Development and Research Institutes, Inc.	627A	8,562
93.279 National Development and Research Institutes, Inc.	631A	31,853
93.279 National Development and Research Institutes, Inc.	627B	4,199
93.279 National Development and Research Institutes, Inc.	PRE-AWARD	18,843
93.279 National Development and Research Institutes, Inc.	605D	1,794
93.279 University of Arkansas for Medical Sciences	31603	55,025
93.279 University of Vermont	22304 SUB51350	1,618
93.279 University of Vermont	24927	2,969
93.283 NH Div of Public Health Services	102645	11,246
93.283 NH Div of Public Health Services	N/A	529,072
93.361 University of Medicine & Dentistry of NJ	402010	62,807
93.392 Georgia Institute of Technology	RA306-S4	94,718
93.393 Group Health Research Institute	CA154292-Dartmouth	32,609
93.393 Group Health Research Institute	2012101781	33,063
93.393 Harvard University	150096	18,792
93.393 Regents of the University of Minnesota	P000265801	84,045
93.393 University of Chicago	44706-A	186,539
93.393 University of Hawaii Cancer Center	ZA02155	169,650
93.393 University of Hawaii Cancer Center	PO Z10006130	20,321
93.393 University of Michigan	3002144650	4,822
93.393 University of Missouri	C00034869-2	10,189
93.393 University of North Carolina at Chapel Hill	5-30888	1,652,649
93.393 University of North Carolina at Chapel Hill	5-30987	220,347
93.393 University of Pittsburgh	0019106 (120429-3)	41,009

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
93.393 University of Pittsburgh	0019106 (118054-3)	\$ 75,223
93.393 University of Southern California	H47332	81,887
93.393 University of Southern California	H42296	316,647
93.393 University of Texas, M D Anderson Cancer Center	12063108/98012113	46,660
93.393 University of Texas, M D Anderson Cancer Center	34605/98012113	129,070
93.393 University of Washington	659975	38,971
93.393 University of Washington	724576	111,075
93.394 American College of Radiology	310	65,314
93.394 University of North Carolina at Chapel Hill	544094	78,147
93.394 University of North Carolina at Chapel Hill	5-44238	80,237
93.395 John Wayne Cancer Institute	MSLT-11	1,085
93.395 Massachusetts General Hospital	N/A	88,467
93.395 Massachusetts General Hospital	213580	3,757
93.395 Massachusetts General Hospital	213589	167,376
93.395 Mayo Clinic	5R01CA150190	116,265
93.395 Mayo Clinic	5R01CA150190-02	145,439
93.395 National Childhood Cancer Foundation	15134	(402)
93.395 National Childhood Cancer Foundation	20717	543
93.395 National Childhood Cancer Foundation	98543-1118	29,542
93.395 Woomera Therapeutics, Inc.	N/A	28,875
93.396 University of Miami	N/A	11,149
93.396 University of Miami	PREAWARD	928
93.396 Wistar Institute	24531-02-365	14,948
93.396 Wistar Institute	24581-02-365	31,904
93.397 University of Michigan	3001821506	178,519
93.397 University of Michigan	3002191972	139,639
93.398 American College of Radiology	N/A	11,577
93.399 National Surgical Adjuvant Breast & Bowel Project	PFED25-DAR-01	7,282
93.399 Southwest Oncology Group	CA37429	1,201
93.837 University of Vermont	24740-1	1,689
93.837 University of Washington	726673	105,728
93.837 University of Washington	743667	16,757
93.837 Yale University	M12A11126 (A07863)	71,324
93.838 University of Pennsylvania	N/A	12,336
93.839 Celdara Medical, LLC	N/A	70,185
93.839 Celdara Medical, LLC	R4HL009217 (ChNKG2D)	1,586
93.839 New Health Sciences, Inc.	DC\729279.1	199,147
93.839 Yale University	M10A10692 (A07741)	53,935
93.846 Boston University	GC202593NGC	79,946
93.846 Boston University	N/A	153,486
93.846 Boston University	9500300344	99,128
93.846 Celdara Medical, LLC	N/A	42,341
93.846 Drexel University	232514	41,535
93.846 Oregon Health & Science University (OHSU)	AFAMP0076-DC	2,471
93.846 University of Michigan	3001369865	110,454
93.846 Washington University	WU-10-157	52,036
93.847 Beth Israel Deaconess Medical Center	1024387	116,427
93.847 Mayo Clinic	5U01DK065713-05	27,514
93.847 Mayo Clinic	5U01DK065713-06	30,797
93.847 University of North Carolina at Chapel Hill	5-31662	10,741
93.847 University of Pittsburgh	1190	995
93.847 University of Pittsburgh	023323 (119869-B)	2,991
93.853 Brown University	00000304/PO# P262082	101,973
93.853 Brown University	304	234,183
93.853 Brown University	303	190,398
93.853 Clarkson University	375-32228-1	5,970
93.853 Mount Sinai School of Medicine	COMBIRX	5,619
93.853 University of Medicine & Dentistry of NJ	99-705	25
93.853 University of Vermont	21808	25,190
93.853 University of Vermont	21808 Amendment 5	23,728
93.853 Yale University	A08082	26,625
93.853 Yale University	A08580/M10A10508	64,158
93.855 C5-6 Technologies, Inc.	N/A	46,736
93.855 Georgia Health Sciences University	23069-12	13,681
93.855 ImmuNext, Inc.	N/A	3,621

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
93.855 ImmuRx Inc	N/A	\$ 23,781
93.855 Johns Hopkins University	N/A	19,297
93.855 Johns Hopkins University	2001077543	24,583
93.855 Les Centres Gheskio	N/A	37,867
93.855 University of Virginia	GC11875-134293	30,903
93.855 University of Virginia	GC11875-136755	(185)
93.855 University of Virginia	GC11875-141011	14,207
93.856 EMMES Corporation	3501-001	19,222
93.859 Duke University	08-SC-NIH-1057	6,177
93.859 Tufts University	HS0356	116,299
93.859 Tufts University	HS4205	95,986
93.865 Boston University	4429-5	48,019
93.865 Boston University	RA208434NGN	3,009
93.865 Boston University	950030024	10,943
93.865 Boston University	4500000689	32,668
93.865 Children's Hospital Boston	422049	7,194
93.865 Children's Hospital Boston	458635	216,106
93.865 Children's Hospital Boston	379116	8,744
93.865 Simbex	N/A	110,663
93.865 Simbex	PRE-AWARD	1,578
93.865 Thomas Jefferson University	080-19000-501001	11,322
93.865 Thomas Jefferson University	080-19000-S01001	19,038
93.865 Tufts University	M330001-HS2815	45,723
93.865 Women & Infants Hospital	9613	3,883
93.866 Brown University	229	44,869
93.866 Brown University	228	(13,904)
93.866 University of California, Davis	ADNI-024	(17,027)
93.866 University of California, San Diego	ADC-039	48,601
93.866 University of Maryland	SR00001553	55,979
93.867 Johns Hopkins University	2000925494	53,958
93.867 Thomas Jefferson University	080-19250-R92702	(22,099)
93.867 Thomas Jefferson University	080-19000-R92704	36,061
93.867 Thomas Jefferson University	N/A	1,039
93.867 University of California, San Francisco	5640sc	75,597
93.867 University of California, San Francisco	4293sc	6,942
93.867 University of Dayton Research Institute	RSC07040	35,328
93.868 Thomas Jefferson University	080-19250-R92703	8,312
Subtotal		<u>13,727,818</u>
U.S. Department of Health and Human Services total		<u>99,291,936</u>
National Science Foundation:		
Direct awards (47.RD)		8,148,343
Subagreements:		
47.000 Norconnect, Inc.	NSF# IIP-0848523	12,062
47.000 Portland State University	208HAM121	24,350
47.000 Westat, Inc.	8494-S08	128,326
47.041 Illinois Institute of Technology	SA452-1025-7501	19,348
47.050 Boston University	GC176992NGA	303,414
47.050 Stanford University	24319670-47267-A	25,294
47.070 University of Massachusetts, Lowell	S52100000014133	33,660
47.074 Purdue University	4101-19822	334,386
47.074 Rocky Mountain Biological Lab	10-6-1006	15,225
47.074 University of North Carolina at Chapel Hill	5-54963	385,655
47.074 University of Wyoming	NSF40391	68,211
47.075 US Civilian Research & Development Foundation	GEG2-3342-TB-06	3,747
47.075 Woods Hole Research Center	D2007A	3,403
47.078 University of Colorado-Boulder	1547277	62,933
47.078 University of Colorado-Boulder	1548198	8,412
47.078 University of New Hampshire	11-069	4,084
47.079 Oregon State University	S1315A-F	43,218
47.080 Celdara Medical, LLC	N/A	24,611
47.080 University of New Hampshire	08-035	36,791

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
47.081 University of New Hampshire	PZ 12-044	\$ 64,809
Subtotal		<u>1,601,939</u>
National Science Foundation total		<u>9,750,282</u>
U.S. Department of Defense:		
Direct awards (12.RD)		6,726,658
Subagreements:		
12.000 Clinical Research Management, Inc.	Dartmouth-09-01	1,961,450
12.000 Creare, Inc.	60309	11,392
12.000 Creare, Inc.	62967	24,550
12.000 Fast-Track Drugs and Biologics, Inc.	2011-01	329,725
12.000 Geometrics, Inc.	N/A	8,361
12.000 University of California, San Diego	10315327	203,704
12.000 University of California, San Diego	10313358	166,723
12.000 University of California, San Diego	10316816	20,058
12.000 University of California, San Diego	10317739	1,478
12.000 University of California, San Diego	10320526	2,164
12.000 Wistar Institute	35441-02-365	13,825
12.300 Creare, Inc.	52444	105,282
12.300 University of Maryland	Z882803	60,847
12.351 University of Texas, El Paso	26-0900-15-61	79,347
12.420 Milcord, LLC	SC-1109-01	60,427
12.420 Rutgers the State University	3416	156,159
12.420 Veterans Medical Research Foundation (VMRF)	08152-300506	15,287
12.420 Veterans Medical Research Foundation (VMRF)	07969-01-301695	110,827
12.420 Veterans Medical Research Foundation (VMRF)	07969-01-296154	38,338
12.431 University of California, San Diego	10291747	501,117
12.431 University of Wisconsin-Madison	F307145	138,223
12.630 Sound Innovations	STTR	93,296
12.630 University of Texas, El Paso	26-3511-22-61	125,000
12.800 University of California, San Diego	PO# 10312240	88,267
Subtotal		<u>4,315,847</u>
U.S. Department of Defense total		<u>11,042,505</u>
U.S. National Aeronautics and Space Administration:		
Direct awards (43.RD)		3,062,937
Subagreements:		
43.000 Massachusetts Institute of Technology	5710002466	112,760
43.000 Regents of the University of Minnesota	X5336545104	41,560
43.000 Southwest Research Institute	E99028JD	2,413
43.000 University of New Hampshire	08-015	100,804
43.001 Science Systems and Applications, Inc.	NNL11AA00B	18,763
43.001 Smithsonian Institution	G01-12081A	7,489
43.001 Smithsonian Institution	G00-11135C	426
43.001 Smithsonian Institution	SP8-9001 A	6,678
43.001 University of New Hampshire	10-092	58,741
43.002 National Space Biomedical Research Institute	NBPF01603	39,072
Subtotal		<u>388,706</u>
U.S. National Aeronautics and Space Administration total		<u>3,451,643</u>
U.S. Department of Agriculture:		
Direct awards (10.RD)		195,011
U.S. Department of Agriculture total		<u>195,011</u>
Veteran's Administration:		
Direct awards (64.RD, 27.RD)		346,148
Subagreements:		
27.011 Vanderbilt University	VUMC36958-R	107,041

**DARTMOUTH COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

	Award #	Total expenditures
27.011 Veterans Educ & Resrch Assoc of New England	N/A	\$ 5,979
Subtotal		113,020
Veteran's Administration total		459,168
U.S. Department of Commerce:		
Direct awards (11.RD)		207,467
Subagreements:		
11.417 University of New Hampshire	08-098	8,475
11.432 University of Michigan	F014563	177
Subtotal		8,652
U.S. Department of Commerce total		216,119
U.S. Department of Energy:		
Direct awards (81.RD)		784,764
Subagreements:		
81.000 Battelle Energy Alliance LLC	123736	132,791
81.000 Mascoma Corporation	BESC/4000065289	971,363
81.000 University of New Hampshire	08-028	197,000
81.049 Rutgers the State University	4566 PO #S1646988	25,043
81.122 University of Illinois	2010-01251-01	146,064
Subtotal		1,472,261
U.S. Department of Energy total		2,257,025
U.S. Department of Homeland Security:		
Direct awards (97.RD)		1,766,228
Subagreements:		
97.061 University of Maryland	Z930113	105,387
97.061 University of Maryland	Z955903	66,946
97.061 University of Texas, El Paso	26-3001-59-61	(891)
97.061 University of Texas, El Paso	26-3001-63-61	128,091
97.061 University of Texas, El Paso	26-3001-82-61	17,440
97.108 University of Maryland	Z980107	35,733
Subtotal		352,706
U.S. Department of Homeland Security total		2,118,934
U.S. Environmental Protection Agency:		
Direct awards (66.RD)		491,468
Subagreements:		
66.509 Duke University	06-SC-EPA-1059	(1,051)
Subtotal		(1,051)
U.S. Environmental Protection Agency total		490,417
U.S. Department of Education:		
Direct awards (84.RD)		1,279,675
U.S. Department of Education total		1,279,675
Other direct federal awards:		
15.421 U.S. Department of The Interior		23,085
15.808 U.S. Department of The Interior		1,530
45.161 National Endowment for the Humanities		39,671
45.169 National Endowment for the Humanities		33,155
Subtotal		97,441

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

		<u>Award #</u>	<u>Total expenditures</u>
Subagreements:			
15.000	Georgia Institute of Technology	RC051-S4	\$ 65,976
15.000	Hawk Migration Association of North America	N/A	11,127
20.600	NH Highway Safety Agency	308-12S-005	33,475
92.243	Illinois Institute of Technology	SA459-1116-7542	5,805
96.000	Westat, Inc.	8225-S-01	14,804
96.007	RAND Corporation	9920110038	29,458
96.007	RAND Corporation	9920100118	655
96.007	University of Michigan	3001657993-UM11-06	29,365
96.007	University of Michigan	3001657992-UM11-08	16,319
96.007	University of Michigan	3002043711UM12-10	57,680
98.000	Program for Appropriate Technology in Health	AID.1470-08669-CRT	175,956
	Subtotal		<u>440,620</u>
	Total research and development cluster		<u>144,281,918</u>
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Direct awards:			
84.007	SEOG FY12	P007A112503	799,883
84.033	Work Study FY11	P033A092503	507
84.033	FWS FY12	P033A112503	1,057,928
84.063	PELL FY12	P063P111791	2,367,431
	Student Financial Assistance Cluster Total		<u>4,225,749</u>
U.S. Department of Health and Human Services:			
Direct awards:			
93.000	Nat'l Library of Medicine (NLM)	HHSN276201200352P	5,200
93.000	Nat'l Inst of Diabetes & Digest & Kidney (NIDDK) (Non LOC)	HHSN276201100312P	18,630
93.000	Nat'l Cancer Institute (NCI)	HHSN261201100544P	16,639
93.110	Health Resources & Svcs Admin (HRSA)	D70MC06898	(14,899)
93.110	Health Resources & Svcs Admin (HRSA)	H98MC08578	113,292
93.113	Nat'l Inst of Environmental Health Science (NIEHS)	F32ES019070	7,757
93.127	Bureau of Maternal and Child Health	H33MC06727	143,346
93.153	Bureau of Maternal and Child Health	H12HA00007	459,687
93.226	Agency for Healthcare Research & Quality	R13HS020562	24,308
93.243	Substance Abuse & Mental Health Services Admin	U79SM057261	408,096
93.265	Health Resources & Svcs Admin (HRSA)	D62HP06808	7,955
93.272	Nat'l Inst on Alcohol Abuse & Alcoholism (NIAAA)	F32AA020143	38,679
93.279	Nat'l Inst on Drug Abuse (NIDA)	F30DA024933	44,942
93.282	Nat'l Inst of Mental Health (NIMH)	F32MH085433	56,780
93.282	Nat'l Inst of Mental Health (NIMH)	F32MH092991	57,788
93.283	Center for Disease Control	U50/CCU121143	(5,854)
93.398	Nat'l Cancer Institute (NCI)	F32CA144579	54,781
93.403	Health Resources & Svcs Admin (HRSA)	D5AHP19899	138,143
93.701	John E. Fogarty International Center (FIC)	R25TW008124	32,789
93.701	John E. Fogarty International Center (FIC)	S07TW008844	26,386
93.702	Nat'l Center for Research Resources (NCRR)	C06RR030432	279,023
93.848	Nat'l Inst of Diabetes & Digest & Kidney (NIDDK)	K23DK078678	145,144
93.853	Nat'l Inst of Neurological Disord & Stroke (NINDS)	F30NS064624	21,330
93.853	Nat'l Inst of Neurological Disord & Stroke (NINDS)	F30NS064637	44,147
93.853	Nat'l Inst of Neurological Disord & Stroke (NINDS)	F31NS064634	31,658
93.853	Nat'l Inst of Neurological Disord & Stroke (NINDS)	F31NS077537	33,863
93.859	Nat'l Inst of General Medical Sciences (NIGMS)	F31GM089149	41,090
93.884	Health Resources & Svcs Admin (HRSA)	D54HP00006	46,819
93.884	Health Resources & Svcs Admin (HRSA)	D56HP10311-01-00	113,403
93.912	Health Resources & Svcs Admin (HRSA)	D04RH12689	100,186
93.918	Health Resources & Svcs Admin (HRSA)	H76HA00812	378,402
93.969	Health Resources & Svcs Admin (HRSA)	D31HP08813	8,929
93.969	Health Resources & Svcs Admin (HRSA)	UB4HP19206	436,434
93.989	John E. Fogarty International Center (FIC)	D43TW006807	729,338
93.989	John E. Fogarty International Center (FIC)	R25TW007693	187,199
	Subtotal		<u>4,231,410</u>
Subagreements:			
93.000	Bi-State Primary Care Association	N/A	32,470
93.000	Center for Social Innovation	280-06-0150	836

**DARTMOUTH COLLEGE**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

	<u>Award #</u>	<u>Total expenditures</u>
93.000 JSI Research & Training Institute	36681-7801	\$ 2,957
93.000 National Rural Health Association	N/A	29,942
93.000 North Country Health Consortium (NCHC)	N/A	6,765
93.000 University of New Hampshire	08-036	436
93.000 VT Department of Health	21017	17,525
93.000 Westat, Inc.	8732-019	58,983
93.051 NH Div of Community Based Care Services	90A10023/01	22,839
93.067 Les Centres Gheskio	N/A	61,820
93.069 NH Dept of Health & Human Services	1018426	165,178
93.069 NH Div of Public Health Services	N/A	31,634
93.069 NH Div of Public Health Services	PO #1002363	71,227
93.069 VT Department of Health	03420-5669S	14,934
93.069 VT Department of Health	03420-5759S	31,525
93.110 University of Massachusetts, Worcester	6126580/RFS2011141	1,804
93.110 University of Massachusetts, Worcester	6121289/RFS2011043	1,377
93.110 University of Massachusetts, Worcester	6102843/RFS900055	1,717
93.110 University of Massachusetts, Worcester	6115553/RFS900240	586
93.110 University of Massachusetts, Worcester	6136574/RFS2012052	24,543
93.136 NH Dept of Health & Human Services	90004015-01	36,929
93.142 Nicolalde R&D, LLC	N/A	24,315
93.145 University of Massachusetts Memorial Medical Ctr	6125023-ETC 016	10,881
93.145 University of Massachusetts Memorial Medical Ctr	6113815 ETC-16 & NA-3	(186)
93.145 University of Massachusetts Memorial Medical Ctr	6136240-ETC-06	67,098
93.184 University of Massachusetts, Worcester	6137308/RFS2012084	7,746
93.242 Social & Scientific Systems, Inc	BRS-IMPCT-S-11-000024-001286	303,347
93.283 NH Div of Public Health Services	210143	38,280
93.283 NH Div of Public Health Services	N/A	233,759
93.283 University of Massachusetts, Worcester	6128641/RFS2011182	7,438
93.389 Montshire Museum of Science	1	4,816
93.389 Montshire Museum of Science	3	16,869
93.394 American College of Radiology	668	20,000
93.632 University of Massachusetts, Worcester	6138023/RFS2012100	20,639
93.768 University of Massachusetts, Worcester	6137385/RF2012091	12,000
93.889 NH Div of Public Health Services	N/A	82,615
93.889 NH Div of Public Health Services	SFY 2011	26,929
93.889 NH Div of Public Health Services	191187-08	(1,068)
93.889 NH Div of Public Health Services	SFY12	146,608
93.889 VT Department of Health	03420-5118	(39,713)
93.889 VT Department of Health	03420-5669S	151
93.889 VT Department of Health	03420-5538	81,057
93.889 VT Department of Health	03420-5759S	17,274
93.989 Cornell University	11091623	19,505
93.989 Les Centres Gheskio	N/A	43,241
93.989 Vanderbilt University	VUMC 34626	207
93.989 Vanderbilt University	VUMC 38475	61,676
93.991 NH Div of Public Health Services	210210-09	1,108
93.994 VT Department of Health	3420-578S	2,690
Subtotal		<u>1,825,309</u>
U.S. Department of Health and Human Services total		<u>6,056,719</u>
National Science Foundation:		
Direct awards:		
47.049 National Science Foundation (NSF)	DMS-0026425	14,895
47.050 National Science Foundation (NSF)	ATM-0457561	169,048
47.070 National Science Foundation (NSF)	IIS-1228475	22,910
47.076 National Science Foundation (NSF)	DGE-0801490	655,313
47.076 National Science Foundation (NSF)	DRL-1010577	704,642
47.076 National Science Foundation (NSF)	DGE-0802871	376,500
47.076 National Science Foundation (NSF)	DGE-0947790	497,059
47.076 National Science Foundation (NSF)	DUE-0941836	77,125
Subtotal		<u>2,517,492</u>
Subagreements:		
47.076 Community College System of New Hampshire	NSF DUE-1104106	5,098
National Science Foundation total		<u>2,522,590</u>

**DARTMOUTH COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

	Award #	Total expenditures
U.S. National Aeronautics and Space Administration:		
Direct awards:		
43.008 NASA Goddard Space Flight Center	NNX10AL81H	\$ 28,085
Subtotal		28,085
Subagreements:		
43.000 University of New Hampshire	11-015	195,006
Subtotal		195,006
U.S. National Aeronautics & Space Administration total		223,091
Veteran's Administration:		
Direct awards:		
27.011 VA Maryland Health Care System	PO#1:512D67099	455
27.011 VA Medical Center, Michigan	N/A	12,747
27.011 White River Junction VA Medical Center	VA105-C00462	446,938
27.011 White River Junction VA Medical Center	N/A	380,516
27.011 White River Junction VA Medical Center	VA241-P-1676	23,236
27.011 White River Junction VA Medical Center	V0024IP-00100	12,623
27.011 White River Junction VA Medical Center	VA405-C10327	12,154
27.011 White River Junction VA Medical Center	VA405-C-20067	23,484
Subtotal		912,153
Subagreements:		
27.011 Veterans Educ & Resrch Assoc of New England	N/A	101,362
27.011 Veterans Medical Research Foundation (VMRF)	N/A	25,915
Subtotal		127,277
Veteran's Administration total		1,039,430
U.S. Department of Defense:		
Direct awards:		
12.000 Cold Regions Research & Engineering Lab (CRREL)	W913E5-12-P-0007	3,358
12.420 U.S. Army Medical Research and Material Command	W81XWH-10-1-0112	189
12.630 Cold Regions Research & Engineering Lab (CRREL)	W913E5-11-P-0005	43,478
U.S. Department of Defense total		47,025
U.S. Department of Agriculture:		
Direct awards:		
10.310 Cooperative State Research Service	2010-65116-20463	45,511
Subagreements:		
10.914 Natural Resources Conservation Service	721428070BP	39,750
U.S. Department of Agriculture total		85,261
U.S. Environmental Protection Agency:		
66.514 Science to Achieve Results (STAR) Fellowship Program	FP-91651101	(4,017)
U.S. Environmental Protection Agency total		(4,017)

**DARTMOUTH COLLEGE**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

	Award #	Total expenditures
U.S. Department of Education:		
Direct awards:		
84.200A Department of Education	P200A090016	\$ 206,301
84.200A Department of Education	P200A090031	216,765
84.200A Department of Education	P200A100031	129,084
Subtotal		552,150
Subagreements:		
84.133 University of Massachusetts, Worcester	6125655/RFS2011132	6,047
84.133 University of Massachusetts, Worcester	6136935/RFS2012069	9,890
84.133B Boston University	GC207911NCG	6,909
84.133B University of Illinois	PRIME: DED H133B100028	70,418
Subtotal		93,264
U.S. Department of Education total		645,414
National Endowment for the Arts:		
Direct awards:		
45.024 National Endowment for the Arts (NEA)	08-5400-7046	(7,000)
45.024 National Endowment for the Arts (NEA)	11-5400-7071	55,000
Subtotal		48,000
Subagreements:		
45.025 New England Foundation for the Arts	2011-15542	3,000
45.025 New England Foundation for the Arts	2011-15983	8,000
45.025 New England Foundation for the Arts	2011-15995	6,500
45.025 New England Foundation for the Arts	2011-16014	4,130
45.025 New England Foundation for the Arts	2011-16022	8,000
45.025 New England Foundation for the Arts	2012-16335	3,000
45.025 New England Foundation for the Arts	2012-17479	3,000
Subtotal		35,630
National Endowment for the Arts total		83,630
Other federal agencies:		
20.600 NH Highway Safety Agency	304-11S-004	37,321
20.600 NH Highway Safety Agency	304-11S-003	12,603
20.600 NH Highway Safety Agency	304-11S-005	14,509
20.600 NH Highway Safety Agency	304-12S-001	108,125
20.600 NH Highway Safety Agency	304-12S-002	53,629
20.600 NH Highway Safety Agency	304-12S-003	42,001
20.600 NH Highway Safety Agency	308-11S-012	2,193
81.000 National Security Technologies LLC	105800	3
97.000 NH Dept of Safety	NNEMMRS	(107,114)
97.000 NH Dept of Safety	NNEMMRS	(10,745)
97.000 NH Div of Public Health Services	N/A	186,631
97.067 NH Div of Public Health Services	NNEMMRS	103,648
98.000 Republic of Rwanda Ministry of Health	N/A	12,055
98.000 University Research Co., LLC	FY11-A08-7500	14,402
Other federal agencies total		469,261
Total all federal programs		\$ 159,676,071

See accompanying notes to schedule of expenditures of federal awards.

**DARTMOUTH COLLEGE**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

**(1) Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Dartmouth College (Dartmouth) under federal government programs for the year ended June 30, 2012. Negative amounts on the Schedule represent adjustments to expenditures reported in the prior year. The Schedule includes Catalog of Federal Domestic Assistance (CFDA) and pass-through award numbers when available.

For purposes of the Schedule, federal awards include all grants, contracts, and similar agreements entered into directly between Dartmouth and agencies and departments of the federal government and all subawards to Dartmouth by nonfederal organizations pursuant to federal grants, contracts, and similar agreements.

**(2) Summary of Significant Accounting Policies for Federal Award Expenditures**

Expenditures for direct and indirect costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the OMB Circular A-21, *Cost Principles for Educational Institutions*, and the regulations of the specific programs. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Facilities and Administrative Costs**

Dartmouth recovers facilities and administrative (F&A) costs associated with research and development pursuant to arrangements negotiated with the Department of Health and Human Services (DHHS). Dartmouth submitted an F&A cost proposal in the fall of 2011 for negotiated F&A rates that became effective July 1, 2011. Dartmouth's F&A cost rate for fiscal year 2012 is 58% for on-campus research.

**(4) Federal Student Loan Programs**

Loans made to eligible students and parents under federal student loan programs during the year ended June 30, 2012 are not included in the Schedule, and are summarized as follows:

Title IV Program – Federal Perkins Loan Program (Perkins)	\$ 2,465,868
Federal Direct Student Loans	<u>29,947,247</u>
	<u>\$ 32,413,115</u>

Federal direct loans are issued by the U.S. Department of Education directly to students and their parents. The balances and transactions relating to these loans are not included in Dartmouth's financial statements.

**DARTMOUTH COLLEGE**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

The Perkins loans are administered and serviced directly by Dartmouth. In addition, Dartmouth continues to service Health Education Assistance Loans (HEAL) which were issued in previous years. Balances and transactions relating to these loans are included in Dartmouth's financial statements. The balances outstanding on these loans at June 30, 2012 are as follows:

Perkins	\$	22,331,933
HEAL		<u>338,334</u>
	\$	<u><u>22,670,267</u></u>

For the year ended June 30, 2012, Dartmouth claimed \$230,719 in administrative cost allowances related to its student financial assistance programs, which are not included in the Schedule.

**(5) Pass-Through Awards**

For the year ended June 30, 2012, Dartmouth received awards directly from federal agencies, which were passed through to subrecipients. The amounts passed through are as follows:

Research and development	\$	18,908,229
Other		<u>1,147,570</u>
	\$	<u><u>20,055,799</u></u>

These amounts are included in the total expenditures shown on the Schedule.



KPMG LLP  
Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Dartmouth College:

We have audited the financial statements of Dartmouth College (Dartmouth) as of and for the year ended June 30, 2012, and have issued our qualified report thereon dated November 10, 2012. Except as discussed in our opinion on the financial statements, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of Dartmouth is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dartmouth's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dartmouth's internal control over financial reporting. Accordingly, we do not express such an opinion on Dartmouth's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Dartmouth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



We noted certain matters that we reported to management of Dartmouth in a separate letter dated November 10, 2012.

This report is intended solely for the information and use of the Board of Trustees and management of Dartmouth College, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

November 10, 2012



**KPMG LLP**  
Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133**

The Board of Trustees  
Dartmouth College:

**Compliance**

We have audited Dartmouth College's (Dartmouth) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Dartmouth's major federal programs for the year ended June 30, 2012. Dartmouth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Dartmouth's management. Our responsibility is to express an opinion on Dartmouth's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Dartmouth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Dartmouth's compliance with those requirements.

In our opinion, Dartmouth College complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1, 2012-2, 2012-3, and 2012-4.

**Internal Control over Compliance**

Management of Dartmouth is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Dartmouth's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for



the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Dartmouth's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Dartmouth's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Dartmouth's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the Board of Trustees and management of Dartmouth College, others within the entity, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*KPMG LLP*

January 22, 2013

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Qualified		
Internal control over financial reporting:			
• Material weakness(es) identified?	_____	yes	<u>  x  </u> no
• Significant deficiency(s) identified that are not considered to be material weakness(es)?	_____	yes	<u>  x  </u> none reported
Noncompliance material to financial statements noted?	_____	yes	<u>  x  </u> no

***Federal Awards***

• Material weakness(es) identified?	_____	yes	<u>  x  </u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	_____	yes	<u>  x  </u> none reported
Type of auditors' report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>  x  </u>	yes	_____ no

Identification of Major Programs:

<u>CFDA number(s)</u>	<u>Name of federal program or clusters</u>
Various	Research and Development Cluster
Various	Student Financial Assistance Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
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Auditee qualified as low risk auditee?	_____	yes	<u>  x  </u>	no
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**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None.

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding 2012-1**

**Program:** Research and Development Cluster

**Identifying Information**

<u>CFDA #</u>	<u>Award number</u>	<u>Federal agency</u>
12.000	H98230-08-C-0353	Department of Defense
47.082	CNS-0910842	National Science Foundation

**Program Year:** July 1, 2011 to June 30, 2012

***Criteria***

To be allowable under Federal awards, costs must be supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, and time and attendance records, and correctly charged as to account, amount, and period. Documentation requirements for salaries and wages, and time and effort distribution are described in OMB Circular A-21, *Cost Principles for Higher Education Institutions*. Documentation may be in an electronic form (A-21, section C.4).

Transfers of costs between cost centers or research projects are often used to correct the financial records (such as transfers of costs between projects when costs were initially charged to the wrong project and the institutions control system found the error) and for other valid reasons. Cost transfers should be reviewed for Allowability.

***Condition Found and Perspective***

The College's policy requires the Office of Sponsored Projects to review payroll cost transfers affecting grant awards. This review helps to ensure that the transfer is allowable and appropriate in accordance with grant agreements. During our testwork over cost transfers, we noted that 2 payroll cost transfers, out of 15 selected for testwork, were not approved by the Office of Sponsored Projects prior to the transfer.

***Questioned Costs***

None.

***Possible Asserted Cause and Effect***

We noted that there was a lack of review of the payroll cost transfers by the Office of Sponsored Projects prior to the posting of these payroll cost transfers in the Oracle general ledger system.

***Recommendation***

We recommend that the College review its procedures over payroll cost transfers to ensure that the proper reviews are performed to help ensure that expenditures are appropriately transferred between grants.

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

***Views of Responsible Officials***

Dartmouth College underwent reorganization in FY2012, moving processing of payroll transactions from the Payroll Office to the newly created Finance Centers. During this transition, the two payroll cost transfers noted for lack of review by the Office of Sponsored Projects were inadvertently processed. There are adequate procedures in place for processing payroll cost transfers. The Office of Sponsored Projects conducted a cost transfer training session in October 2012. Department Grant Managers, OSP Grant Managers, and Finance Center personnel attended.

***Contact Person***

Jill Mortali, Director, Office of Sponsored Projects

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Finding 2012-2**

**Program:** Research and Development Cluster

**Identifying Information:**

CFDA # Award Number Federal Agency

<u>CFDA#</u>	<u>Award number</u>	<u>Federal agency</u>
12.300	N00014-08-1-0693	Department of Defense
27.011	PO#1:512D67099	Department of Veterans Affairs
93.397	U54CA151662	Department of Health and Human Services
93.701	R01HD049762	Department of Health and Human Services
93.853	R01NS052274	Department of Health and Human Services
93.866	ADNI-024	University of California System

**Program Year:** July 1, 2011 to June 30, 2012

**Criteria**

*Equipment*

Title to Equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit.

Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

**Condition Found and Perspective**

During KPMG’s testwork over equipment, we noted that there are 91 departments with equipment purchased through federal grants. KPMG noted that 10 of the 91 departments had not completed and reconciled their physical inventory counts within the two year requirement.

In addition, KPMG notes per review of inventory logs there are items that have not been located and a lack of follow up procedures do not ensure the items have not been lost or stolen.

**Questioned Costs**

Not determinable.

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

***Possible Asserted Cause and Effect***

The possible cause of this noncompliance appears to be due to personnel time constraints due to the magnitude of inventory to inspect and reconcile. This may result in equipment purchased with federal funds being sold, transferred, or disposed of without the knowledge of Dartmouth.

***Recommendation***

We recommend that Dartmouth implement the necessary policies and procedures to ensure that all departments that receive federal funds to purchase equipment have a physical inventory performed every two years.

***Views of Responsible Officials***

Dartmouth College is reviewing fixed asset processes and will be implementing the Oracle fixed assets module. The new system will be implemented by December 2013. In the process we will be assessing policies and procedures related to maintenance of equipment records and completion of physical inventories. Procedures and training will be reviewed and updated during the system implementation to improve compliance with biennial inventory requirements.

***Contact Person***

Tammy Moffatt, Director Procurement Services

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Finding 2012-3**

**Program:** Research and Development Cluster

**Identifying Information:**

<u>CFDA#</u>	<u>Award number</u>	<u>Federal agency</u>
12.000	Dartmouth-09-01	Department of Defense
12.000	HQ0034-11-C-0071	Department of Defense
12.300	N00014-10-1-0075	Department of Defense
93.000	635243-10S-1567	Department of Health and Human Services
93.127	HSH230200732007C	Department of Health and Human Services
93.389	P20RR016437	Department of Health and Human Services
93.389	P20RR030360	Department of Health and Human Services
93.394	R01CA109558	Department of Health and Human Services
93.396	R01CA078814	Department of Health and Human Services
93.701	P20RR016437	Department of Health and Human Services
93.701	P30NS069288	Department of Health and Human Services
93.701	R01CA077026	Department of Health and Human Services
93.701	S10RR025084	Department of Health and Human Services
93.859	1R01GM098502-01	Department of Health and Human Services
93.859	R01GM023377	Department of Health and Human Services
93.862	R01GM054082	Department of Health and Human Services
93.867	R00EY018683	Department of Health and Human Services

**Program Year:** July 1, 2011 to June 30, 2012

**Criteria**

*Suspension and Debarment*

Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria. 2 CFR section 180.220 of the governmentwide nonprocurement debarment and suspension guidance contains those additional limited circumstances. All nonprocurement transactions (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions.

When a non-Federal entity enters into a covered transaction with an entity at a lower tier, the non-Federal entity must verify that the entity is not suspended or debarred or otherwise excluded. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). The information contained in the EPLS is available in printed and electronic formats.

## **DARTMOUTH COLLEGE**

### Schedule of Findings and Questioned Costs

Year ended June 30, 2012

#### ***Condition Found and Perspective***

During our testwork over Suspension and Debarment, KPMG noted that for 23 of the 25 vendors selected there was insufficient documentation to determine that the vendor was not suspended or debarred.

On July 1, 2011, the College implemented an on-line procurement system whereby vendors accepted standard terms and conditions relating to their purchase order. When the College migrated from the hard copy "New Vendor Certification Form" to the on-line terms, the suspension and debarment clause was inadvertently excluded. During our audit this omission was brought to the College's attention and on May 12, 2012 the College amended its on-line terms and conditions to include a clause on suspension and debarment. As such, vendors who entered into agreements with the College between July 1, 2011 and May 12, 2012 were not required to certify that they were not suspended or debarred.

KPMG further notes that although the College has other procedures in place over this compliance requirement, they are not documented and therefore not verifiable.

#### ***Questioned Costs***

Not determinable.

#### ***Possible Asserted Cause and Effect***

The College migrated from using a template for their purchase orders to having purchase orders electronically prepared. All of the terms and conditions that were previously attached to the template purchase orders were not all included in the electronically prepared purchase orders.

#### ***Recommendation***

We recommend that the College ensure that all vendors are certifying that they are not suspended and debarred each time a purchase order is executed, and include a clause related to suspension and debarment in their purchase order terms and conditions.

#### ***Views of Responsible Officials***

Dartmouth College revised its terms and conditions to include the suspension and debarment clause for all purchase orders and the following certification question has been added to the new vendor form: *Is your company currently named on the list of Federal Debarred Suppliers?* As new contracts are negotiated we will verify that the supplier is not suspended or debarred. In addition, the Contract Manager associated with the scientific buying receives weekly emails from Visual Compliance which include information related to suppliers being debarred, suspended, denied the ability to import or export, etc. The Contract Manager also does a periodic review of suppliers at the following url: <http://www.sam.gov>.

#### ***Contact Person***

Tammy Moffatt, Director Procurement Services

**DARTMOUTH COLLEGE**

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

**Finding 2012-4**

**Program:** Research and Development Cluster

**Identifying Information:**

<u>CFDA#</u>	<u>Award Number</u>	<u>Federal Agency</u>
12.000	Dartmouth-09-01	Department of Defense
12.300	N00014-09-1-0859	Department of Defense
93.242	5R01MH078052-04	Department of Health and Human Services

**Program Year:** July 1, 2011 to June 30, 2012

***Criteria***

Transfers of costs between cost centers or research projects are often used to correct the financial records (such as transfers of costs between projects when costs were initially charged to the wrong project and the institutions control system found the error) and for other valid reasons. Cost transfers should be reviewed for allowability and performed timely.

***Condition Found and Perspective***

Dartmouth's Sponsored Research Manual states that if the transfer request is over 90 days from the date of the original transaction, the transfer request form must also identify why the transaction is taking place more than 90 days after the original transaction date and what corrective action has been taken to eliminate future cost transfers of this type.

During our testwork over cost transfers, we noted that 3 out of 20 expenses selected for testwork were transferred over 90 days from the original expense date without adequate documentation supporting why the transfer was occurring beyond 90 days from the original transaction date. For those 3 transactions, documentation was provided to support the appropriateness of the transfer.

**DARTMOUTH COLLEGE**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2012

	<u>CFDA #</u>	<u>Award Number</u>	<u>Expense Date</u>	<u>Transferred Date</u>	<u># Days for Transfer</u>
1	12.300	N00014-09-1-0859	3/16/2010	3/6/2012	721
2	12.000	Dartmouth-09-01	12/1/2010	11/15/2011	349
3	93.242	5R01MH078052-04	1/12/2011	12/20/2011	342

***Questioned Costs***

None.

***Possible Asserted Cause and Effect***

The issue appears to be a combination of a lack of adequate documentation supporting why cost transfers were beyond 90 days as well as human error in processing transactions submitted as cost transfers.

***Recommendation***

We recommend that Dartmouth review its procedures over cost transfers and implement the necessary steps to help ensure that cost transfers are completed timely and when the transfer cannot occur timely that adequate documentation is kept to support why the transfer is happening beyond 90 days.

***Views of Responsible Officials***

Dartmouth College will review procedures regarding cost transfers and communicate the importance of timely review, correction of charges, and appropriate documentation requirements for sponsored project transactions. The Office of Sponsored Projects conducted a cost transfer training session in October 2012. Department Grant Managers, OSP Grant Managers, and Finance Center personnel attended.

***Contact Person***

Jill Mortali, Director, Office of Sponsored Projects

**DARTMOUTH COLLEGE**

Summary Schedule of Prior Audit Findings

Year ended June 30, 2012

**Finding Numbers 2010-1 and 2011-1**

**Steps to Correct**

Dartmouth College is reviewing fixed asset processes and will be implementing the Oracle fixed assets module. The new system will be implemented by December 2013. In the process we will be assessing policies and procedures related to maintenance of equipment records and completion of physical inventories. Procedures and training will be reviewed and updated during the system implementation to improve compliance with biennial inventory requirements.

**Scheduled Completion Date**

December 2013

**Contact Person**

Tammy Moffatt, Director Procurement Services

**Finding Number 2011-2**

Corrected.