



**DICKINSON COLLEGE**

Financial Statements and Supplemental Schedule

June 30, 2008 and 2007

(With Independent Auditors' Report Thereon)

# DICKINSON COLLEGE

## Table of Contents

	<b>Page(s)</b>
Independent Auditors' Report	1
Statements of Financial Position, June 30, 2008 and 2007	2
Statements of Activities, Years ended June 30, 2008 and 2007	3 – 4
Statements of Cash Flows, Years ended June 30, 2008 and 2007	5
Notes to Financial Statements	6 – 20
Independent Auditors' Report on Accompanying Supplemental Schedule	21
Supplemental Schedule, Year ended June 30, 2008	22
Notes to Supplemental Schedule	23



**KPMG LLP**  
Suite 200  
30 North Third Street  
PO Box 1190  
Harrisburg, PA 17108-1190

## **Independent Auditors' Report**

The Board of Trustees  
Dickinson College:

We have audited the accompanying statements of financial position of Dickinson College (the College) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the College'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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dickinson College as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

November 3, 2008

**DICKINSON COLLEGE**  
**Statements of Financial Position**  
June 30, 2008 and 2007

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash and cash equivalents	\$ 809,705	889,256
Accounts and other receivables, net of allowance for doubtful accounts of \$50,000 at June 30, 2008 and 2007, respectively	3,067,351	2,567,539
Inventories, prepaid expenses, and other assets	1,372,960	1,200,179
Loans receivable, net of allowance for loan loss of \$966,470 at June 30, 2008 and 2007, respectively	6,426,487	6,105,126
Investments	278,414,500	262,571,870
Funds held in trust by others	40,846,332	41,147,723
Contributions receivable, net	14,360,398	11,520,315
Settlement receivable	18,292,119	17,971,371
Deposits with trustees under debt agreements	5,663,170	25,976,256
Property and equipment, net	155,605,214	136,577,730
Deferred financing costs	2,348,195	2,512,078
Total assets	\$ 527,206,431	509,039,443
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 7,475,101	7,947,773
Deferred revenue	3,008,832	2,754,351
Student deposits	3,164,973	3,602,837
Postretirement benefits	6,822,194	6,349,450
Funds held in custody for others	872,764	759,723
Annuities payable	4,187,502	3,781,674
Obligations under capital leases	1,975,615	571,392
Long-term debt	103,064,221	105,432,472
U.S. government advances refundable	2,212,372	2,184,834
Total liabilities	132,783,574	133,384,506
Net assets:		
Unrestricted	231,985,726	209,117,875
Temporarily restricted	53,515,505	58,613,997
Permanently restricted	108,921,626	107,923,065
Total net assets	394,422,857	375,654,937
Total liabilities and net assets	\$ 527,206,431	509,039,443

See accompanying notes to financial statements.

**DICKINSON COLLEGE**

Statement of Activities

Year ended June 30, 2008

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>Revenues:</b>				
Tuition and fees	\$ 84,803,016	—	—	84,803,016
Student aid	(25,435,464)	—	—	(25,435,464)
Net tuition and fees	<u>59,367,552</u>	<u>—</u>	<u>—</u>	<u>59,367,552</u>
Private gifts, grants and contributions	20,369,860	3,997,869	1,610,902	25,978,631
Government grants and appropriations	2,353,723	—	—	2,353,723
Investment income (loss)	11,731,267	(1,554,090)	(449,638)	9,727,539
Change in value of split-interest agreements	36,105	(539,326)	(162,703)	(665,924)
Other revenues	1,046,289	—	—	1,046,289
Sales and services of auxiliary enterprises	25,672,586	—	—	25,672,586
Net assets released from restrictions	<u>7,002,945</u>	<u>(7,002,945)</u>	<u>—</u>	<u>—</u>
Total revenues	<u>127,580,327</u>	<u>(5,098,492)</u>	<u>998,561</u>	<u>123,480,396</u>
<b>Expenses:</b>				
<b>Programs:</b>				
<b>Education and general:</b>				
Instructional	36,214,340	—	—	36,214,340
Academic support	10,345,733	—	—	10,345,733
Student services	11,454,396	—	—	11,454,396
Research	2,622,304	—	—	2,622,304
Public service	856,050	—	—	856,050
Auxiliary enterprises	21,325,184	—	—	21,325,184
Institutional support	<u>19,332,199</u>	<u>—</u>	<u>—</u>	<u>19,332,199</u>
Total expenses	<u>102,150,206</u>	<u>—</u>	<u>—</u>	<u>102,150,206</u>
Change in net assets before other loss	25,430,121	(5,098,492)	998,561	21,330,190
<b>Other gains (losses):</b>				
Pension-related changes other than net periodic pension cost	373,583	—	—	373,583
Loss on other items	<u>(2,935,853)</u>	<u>—</u>	<u>—</u>	<u>(2,935,853)</u>
Change in net assets	22,867,851	(5,098,492)	998,561	18,767,920
<b>Net assets:</b>				
Beginning of year	<u>209,117,875</u>	<u>58,613,997</u>	<u>107,923,065</u>	<u>375,654,937</u>
End of year	\$ <u><u>231,985,726</u></u>	\$ <u><u>53,515,505</u></u>	\$ <u><u>108,921,626</u></u>	\$ <u><u>394,422,857</u></u>

See accompanying notes to financial statements.

**DICKINSON COLLEGE**

Statement of Activities

Year ended June 30, 2007

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>Revenues:</b>				
Tuition and fees	\$ 80,636,979	—	—	80,636,979
Student aid	(25,231,276)	—	—	(25,231,276)
Net tuition and fees	55,405,703	—	—	55,405,703
Private gifts, grants and contributions	14,923,224	4,573,538	—	19,496,762
Government grants and appropriations	2,470,142	—	—	2,470,142
Investment income	26,942,631	19,132,446	2,215,090	48,290,167
Change in value of split-interest agreements	500,838	483,806	(885,885)	98,759
Other revenues	2,215,905	—	—	2,215,905
Sales and services of auxiliary enterprises	24,703,827	—	—	24,703,827
Net assets released from restrictions	6,619,161	(6,619,161)	—	—
<b>Total revenues</b>	<b>133,781,431</b>	<b>17,570,629</b>	<b>1,329,205</b>	<b>152,681,265</b>
<b>Expenses:</b>				
<b>Programs:</b>				
<b>Education and general:</b>				
Instructional	33,289,918	—	—	33,289,918
Academic support	10,129,360	—	—	10,129,360
Student services	10,795,684	—	—	10,795,684
Research	2,703,605	—	—	2,703,605
Public service	555,518	—	—	555,518
Auxiliary enterprises	21,116,500	—	—	21,116,500
Institutional support	17,746,711	—	—	17,746,711
<b>Total expenses</b>	<b>96,337,296</b>	<b>—</b>	<b>—</b>	<b>96,337,296</b>
Change in net assets before other loss	37,444,135	17,570,629	1,329,205	56,343,969
<b>Other loss:</b>				
Cumulative effect of change in accounting principle	(41,377)	—	—	(41,377)
Change in net assets	37,402,758	17,570,629	1,329,205	56,302,592
<b>Net assets:</b>				
Beginning of year	171,715,117	41,043,368	106,593,860	319,352,345
End of year	\$ 209,117,875	58,613,997	107,923,065	375,654,937

See accompanying notes to financial statements.

**DICKINSON COLLEGE**  
**Statements of Cash Flows**  
**Years ended June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 18,767,920	56,302,592
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,187,149	7,430,842
Loss on disposition of fixed assets	2,398,238	13,038
Loss on debt extinguishment	535,629	—
Net realized and unrealized gains on investments	(6,111,130)	(41,904,752)
Change in the value of split-interest agreements	665,924	(98,759)
Change in value of funds held in trust by others	301,391	(2,068,453)
Provision for doubtful accounts	—	7,000
Other changes in annuities payable	794,676	69,489
Gifts received for permanently restricted net assets and capital projects	(2,136,673)	(1,698,589)
Change in assets and liabilities:		
Accounts receivable	(499,812)	906,319
Contributions and settlement receivables	(3,160,831)	(4,711,360)
Inventories, prepaid, and other assets	(172,781)	61,558
Accounts payable and accrued expenses	72	2,116,502
Deferred revenue	254,481	(385,990)
Student deposits	(437,864)	476,991
Funds held in custody for others	113,041	(346,133)
Total adjustments	<u>731,510</u>	<u>(40,132,297)</u>
Net cash provided by operating activities	<u>19,499,430</u>	<u>16,170,295</u>
Cash flows from investing activities:		
Proceeds from sale of investments	43,120,326	107,013,792
Purchase of investments	(53,517,750)	(108,985,094)
Deposits with trustee under debt agreements	20,313,086	(12,327,791)
Purchase of plant assets	(28,170,638)	(19,216,810)
Sale of plant assets	4,372	48,060
Loan principal payments received	927,850	1,164,077
Net increase in student loans	<u>(1,249,211)</u>	<u>(1,115,169)</u>
Net cash used in investing activities	<u>(18,571,965)</u>	<u>(33,418,935)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt and line of credit	18,277,445	23,675,635
Payments on long-term debt and line of credit	(20,645,696)	(6,928,709)
Other costs on extinguishment of debt	(176,260)	—
Gifts received for permanently restricted net assets and capital projects	2,136,673	1,698,589
Deferred financing costs	(237,868)	(670,145)
Payments to annuity recipients	(388,848)	(451,443)
Increase in U.S. government grants refundable	27,538	15,574
Net cash (used in) provided by financing activities	<u>(1,007,016)</u>	<u>17,339,501</u>
Net (decrease) increase in cash and cash equivalents	(79,551)	90,861
Cash and cash equivalents:		
Beginning of year	<u>889,256</u>	<u>798,395</u>
End of year	\$ <u>809,705</u>	\$ <u>889,256</u>
Cash paid during the year for interest	\$ 4,480,115	3,790,500
Supplemental disclosure of noncash investing and financing activity:		
Lease of buildings	\$ 1,449,955	571,392

See accompanying notes to financial statements.

# DICKINSON COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

### (1) Summary of Significant Accounting Policies

Dickinson College (the College) is a private, not-for-profit institution of higher education in Carlisle, Pennsylvania. The College provides education services at the undergraduate level.

The significant accounting policies followed by the College are described below to enhance the usefulness of the financial statements to the reader.

#### (a) *Basis of Presentation*

Not-for-profit accounting standards require the reporting of total assets, liabilities, and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows. Net assets and revenues, gains, expenses and losses are classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor-imposed restrictions as follows:

#### **Permanently Restricted**

Net assets subject to donor-imposed stipulations that they be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on these assets. Such assets primarily include the College's donor endowment funds and funds held in trust by others.

#### **Temporarily Restricted**

Net assets whose use by the College is subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time. Commonwealth of Pennsylvania law permits the College to allocate to income each year a portion of endowment net realized gains up to 7% of a three-year moving average of the market value of permanently restricted endowed assets. Since endowment net realized and unrealized gains may eventually be spent by the College, endowment net realized and unrealized gains are recorded in the financial statements as temporarily restricted net assets until transferred to unrestricted net assets. Temporarily restricted net assets of the College at June 30, 2008 and 2007 consist of unspent donor-restricted contributions and market appreciation of endowment funds.

#### **Unrestricted**

Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the board of trustees or may otherwise be limited to contractual agreements with outside parties.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets.

## DICKINSON COLLEGE

### Notes to Financial Statements

June 30, 2008 and 2007

**(b) Contributions**

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, i.e., when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received are discounted at an appropriate discount rate commensurate with the risks involved, 3.8% and 5.6% at June 30, 2008 and 2007, respectively, which approximates the federal mid-term rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution, and nature of the fund-raising activity.

Contributions and endowment income with donor-imposed restrictions are reported as temporarily restricted revenues and are reclassified to unrestricted net assets when an expense is incurred that satisfies the donor-imposed restriction. Contributions restricted for the acquisition of plant and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when restrictions have been met and the plant and equipment have been placed in service.

**(c) Settlement Receivable**

At June 30, 2008 and 2007, \$18,292,119 and \$17,971,371, respectively, has been recorded as a settlement receivable related to a settlement agreement between the College; the Baltimore Symphony Orchestra; GBMC Healthcare, Inc.; Whiteford, Taylor and Preston LLP; and the trustees of the Robert A. Waidner Foundation, a charitable remainder trust, established under the will of alumnus Robert A. Waidner, Dickinson Class of 1932. Assets are being held in trust and their payment to the College is pursuant to both a trust under the will of Mr. Waidner and to the settlement agreement of the will. Dickinson will receive specified payments beginning in January of the first year after the death of Mr. Waidner's widow. Mrs. Waidner died in January 2004. The College received its first payment in January 2005. The receivable represents the present value of future cash flows using a discount rate of 4.96% and 4.92% for the years ended June 30, 2008 and 2007, respectively.

**(d) Cash Equivalents**

The College considers certificates of deposit and other short-term savings instruments with original maturities of 90 days or less to be cash equivalents. Cash equivalents exclude certain qualifying instruments recognized in investments.

**(e) Loans Receivable**

Included in loans receivable on the statement of financial position are two forms of flexible financing to families of students. New flexible financing loans are no longer offered by the College. Plan A provided up to \$4,000 a year to parents of students. Loan terms require the payment of interest only through the date of graduation and then require payment of interest and principal over a period of six years. These notes bear 11% interest. Plan B provided up to \$10,000 a year to parents of students. Loan terms require the payment of principal and interest to begin immediately and extend over a

## DICKINSON COLLEGE

### Notes to Financial Statements

June 30, 2008 and 2007

period not greater than 13 years. These notes were issued bearing interest at the prime rate plus 1% adjusted each year at June 30. The student loan notes receivable totaled approximately \$1,303,000 and \$1,550,000 at June 30, 2008 and 2007, respectively. The remaining loans receivable consist principally of student receivables related to the Federal Perkins Loan Program. The allowance for uncollectible notes and loans was \$966,470 at June 30, 2008 and 2007.

Also included in loans receivable is a loan provided to the Cumberland County Redevelopment Authority (the Authority) for \$250,000. Loan terms require principal payment beginning October 1, 2003 for five years with interest at 3% per annum. Under the terms of the agreement, the Authority exercised its option to pay the loan balance in full as of November 29, 2007.

**(f) Investments**

Investments in fixed income securities and publicly traded marketable equity securities are recorded at fair value based upon quoted market prices.

Investments in other financial instruments (including ownership interests in investment funds structured as limited partnerships and limited liability corporations) are recorded at estimated fair value by the College based on information provided by the general partner(s)/shareholder(s) and other data. Underlying securities owned by the limited partnerships and limited liability corporations include certain publicly traded securities that have readily available market values and other investments that are not readily marketable. The College believes the carrying amount of these financial instruments is a reasonable fair value. Because certain of these investments are not readily marketable, their fair value is subject to additional uncertainty, and therefore values realized upon disposition may vary significantly from currently reported values.

**(g) Deposits with Trustees Under Debt Agreements**

Deposits with trustees under debt agreements are the unexpended construction fund proceeds of debt obligations and debt service funds. The funds are invested in short-term fixed income investments.

**(h) Deferred Financing Costs**

Deferred financing costs are amortized using the straight-line method over the remaining terms of the associated debt.

**(i) Annuity Agreements and Funds Held in Trust by Others**

The College's annuity agreements with donors consist primarily of charitable remainder trusts and annuity agreements for which the College serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries, using a discount rate of 3.8% and 5.6% for the years ended June 30, 2008 and 2007, respectively. Contributions arising from annuities and life income funds amounted to \$21,512 and \$59,918 for the years ended June 30, 2008 and 2007, respectively.

## DICKINSON COLLEGE

### Notes to Financial Statements

June 30, 2008 and 2007

The College is also the beneficiary of certain perpetual trusts held and administered by others. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted to fair value at the trust.

**(j) *Property and Equipment***

Property and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation. Depreciation of property and equipment is calculated using a straight-line method over the estimated useful lives of the assets. Estimated useful lives range from 2 years to 20 years for equipment, 5 years for computers, 10 years for library books, and from 5 years to 50 years for buildings and land improvements.

Included in property and equipment is the College's rare works collection. The College carries its rare works collection at the fair value of the collection items at the date of gift, and the collection is not depreciated.

**(k) *Conditional Asset Retirement Obligations***

Conditional asset retirement obligations are recorded if the fair value of the obligation to retire an asset can be reasonably estimated. Asset retirement obligations include those for which an entity has a legal obligation to perform an asset retirement activity. However, the timing and/or method of settling the obligation are conditional on a future event that may or may not be within the control of the entity.

The College recorded all known asset retirement obligations for which the fair value of the liability could be reasonably estimated relating to the regulatory remediation of asbestos and other hazardous materials in certain campus buildings. The asset retirement obligation at June 30, 2008 and 2007 was \$780,340 and \$736,170, respectively, and is included in accounts payable and accrued expenses.

**(l) *Valuation of Long-Lived Assets***

Long-lived assets and certain identifiable intangibles to be held and used by an entity are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Also, in general, any long-lived assets and certain identifiable intangibles to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. The College periodically evaluates the recoverability of its long-lived assets including real estate and improvements and deferred costs, using objective methodologies. Such methodologies include evaluations based on cash flows generated by the underlying assets or other determinants of fair value. None of the College's long-lived assets were considered to be impaired as of June 30, 2008 and 2007.

**(m) *U.S. Government Advances Refundable***

Funds provided by the U.S. government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statement of financial position.

# DICKINSON COLLEGE

## Notes to Financial Statements

June 30, 2008 and 2007

**(n) Fundraising Expenses**

Direct fundraising expenses for the years ended June 30, 2008 and 2007 were approximately \$3,278,000 and \$3,098,000, respectively.

**(o) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(p) Related-Party Transactions**

The College offers a Homebuyer Program, which assists eligible employees with either the purchase of a home in a specific area or the purchase of a home for the first time. The program provides a Forgiveness Loan of up to \$2,000 for closing costs and downpayment assistance. It also provides a Deferred Payment Loan of up to \$5,000 for additional downpayment and closing cost assistance, which would be due on the sale of the house.

To be eligible, an employee must buy and occupy a single-, two-, or three-family home in the specified area or be a first-time homebuyer. The loans carry an interest rate of 0%. The balance of the home buyer loans outstanding was \$185,440 and \$196,976 at June 30, 2008 and 2007, respectively.

**(q) Loss on Other Items**

Other items include a loss on early extinguishment of debt in the amount of \$535,629 and a loss on the disposal of buildings in connection with the construction of the Rector Science Campus, in the amount of \$2,400,224.

**(2) Investments and Funds Held in Trust by Others**

Investments at June 30, 2008 and 2007 consist of the following:

	Carrying value	
	2008	2007
Cash and equivalents	\$ 20,934,659	9,896,257
Fixed income funds	8,861,702	16,546,724
Domestic equities	36,293,719	81,931,871
Foreign equities	4,518,529	16,732,692
Alternative investments	131,564,914	92,008,503
Private markets	41,265,246	15,736,574
Commodities and real assets	30,097,673	29,236,426
Other	4,878,058	482,823
	<u>\$ 278,414,500</u>	<u>262,571,870</u>

## DICKINSON COLLEGE

### Notes to Financial Statements

June 30, 2008 and 2007

Investments having market values of \$262,949,846 and \$244,104,933 at June 30, 2008 and 2007, respectively, are pooled on a market value basis, with each unitized fund subscribing to or disposing of units on the basis of the market value per unit at the beginning of the month within which the transaction takes place.

Under the terms of certain limited partnership agreements for private equity, venture capital, and real estate investments, the College is obligated to periodically advance additional funding. At June 30, 2008, the College had outstanding commitments to remit additional funding of \$62,029,310 for which capital calls had not been made.

The College uses the total return concept for endowment funds. Endowment income distributed for 2008 and 2007 was based on 5.00% and 5.25% of a 12-quarter moving average market value of pooled endowment assets, respectively, including the most recent four quarters. Based upon this formula, total distributed income for the years ended June 30, 2008 and 2007 amounted to \$9,081,221 and \$8,315,918, respectively.

Total investment income at June 30, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Investment income on funds held in trust by others	\$ 1,391,456	1,352,073
Interest and dividend income	2,526,344	2,964,889
Net realized and unrealized gains on investments	5,809,739	43,973,205
Adjustment of split-interest trusts	(665,924)	98,759
Total investment and split-interest income	<u>\$ 9,061,615</u>	<u>48,388,926</u>

Investment gains were netted against \$1,363,782 and \$1,041,249 of investment-related fees in fiscal year 2008 and 2007, respectively.

Funds held in trust by others include a 45% interest in the Sandia Foundation, created in 1975 under the terms of the will of Hugh W. Woodward, of which the College is a beneficiary. Those terms provide that the College is to receive annually and in perpetuity 45% of the net earnings of the Sandia Foundation, the assets of which consist principally of land and land improvements, in and around Albuquerque, New Mexico, and marketable securities. The fair value of the College's interest in the Sandia Foundation was \$33,938,184 and \$33,841,479 at June 30, 2008 and June 30, 2007, respectively.

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

**(3) Property and Equipment**

As of June 30, 2008 and 2007, property and equipment at cost and accumulated depreciation are summarized as follows:

	<b>2008</b>	<b>2007</b>
Land	\$ 9,856,009	9,856,009
Buildings and improvements	160,810,107	149,460,386
Leases and leasehold improvements	2,550,423	787,220
Furniture, equipment and vehicles	10,880,430	10,162,501
Computers	9,075,210	8,735,696
Library books	16,118,336	15,041,519
Rare works	1,965,297	1,925,297
Construction in progress	37,347,784	25,736,340
	248,603,596	221,704,968
Less accumulated depreciation	92,998,382	85,127,238
	\$ 155,605,214	136,577,730

Depreciation expense totaled \$8,144,767 and \$7,318,680 for the years ended June 30, 2008 and 2007, respectively.

**(4) Contributions Receivable**

Contributions receivable are summarized as follows at June 30, 2008 and 2007:

	<b>2008</b>	<b>2007</b>
Contributions receivable expected to be collected in:		
Less than one year	\$ 2,589,491	2,812,367
One year to five years	8,656,334	4,888,165
Over five years	6,383,359	7,783,662
	17,629,184	15,484,194
Less discount	(2,610,431)	(3,449,726)
Allowance for uncollectible contributions receivable	(658,355)	(514,153)
	\$ 14,360,398	11,520,315

Contributions receivable are recorded as follows:

	<b>2008</b>	<b>2007</b>
Unrestricted	\$ 11,798,931	10,208,316
Temporarily restricted	2,483,064	1,130,761
Permanently restricted	78,403	181,238
	\$ 14,360,398	11,520,315

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

**(5) Long-Term Debt**

Long-term debt at June 30, 2008 and 2007 consists of the following:

	2008	2007
1996 Cumberland County Municipal Authority Variable Rate Revenue Bonds Series B, maturing annually to 2026, in annual principal amounts ranging from \$260,000 to \$890,000 (with interest at 3.63% at June 30, 2007)	\$ —	11,970,000
1998 Cumberland County Municipal Authority Fixed Rate Revenue Bonds, maturing annually to 2010, in annual principal amounts ranging from \$885,000 to \$1,450,000 with interest ranging from 3.90% to 5.25% per annum	4,130,000	5,380,000
2000 Cumberland County Municipal Authority Dickinson College Revenue Bonds Series B, with variable interest rates, maturing annually to 2030, in annual principal amounts ranging from \$120,000 to \$3,465,000 (with interest at 3.63% at June 20, 2007)	—	6,405,000
2003 Pennsylvania Higher Education Facilities Authority Revenue Bonds Series 2003 AA1, maturing annually to 2026, in annual principal amounts ranging from \$185,000 to \$1,095,000, with fixed interest rates ranging from 2.00% to 5.25%	12,755,000	13,130,000
2006 Montgomery County Higher Education and Health Authority Revenue Bonds Series 2006 FF1, maturing annually to 2031, in annual principal amounts ranging from \$45,000 to \$14,925,000, with fixed interest rates ranging from 3.60% to 5.00%	43,250,000	43,295,000
2007 Cumberland County Municipal Authority Revenue Bonds, Series 2007 GG1, maturing annually to 2037, in annual principal amounts ranging from \$3,445,000 to \$4,355,000, with fixed interest rates ranging from 4.50% to 5.00%	23,375,000	23,375,000

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

	<b>2008</b>	<b>2007</b>
2008 Cumberland County Municipal Authority Revenue Bonds, Series of 2008, maturing annually to 2026, in annual principal amounts ranging from \$260,000 to \$4,775,000, with fixed interest rates ranging from 2.75% to 5.00%	\$ 18,145,000	—
Unamortized bond premiums, net	1,409,221	1,448,825
Total bonds payable	103,064,221	105,003,825
Notes payable	—	428,647
Total long-term debt	\$ 103,064,221	105,432,472

The bond agreements contain certain restrictive covenants which, among other restrictions, require the pledge of certain revenues as collateral for repayment, the maintenance of a minimum level of aggregate expendable funds and a maximum level of debt service. In addition, for certain bonds, the College is required to maintain deposits with an outside trustee for the purpose of meeting scheduled debt service requirements of the respective outstanding bonds until they become due.

All outstanding bond issues are collateralized by a general interest in the College's revenue. In addition, at June 30, 2007, there was approximately \$12,576,458 in direct pay letters of credit related to the 1996 Cumberland County Municipal Authority Revenue Bonds.

The proceeds from the sale of the 2008 Cumberland County Municipal Authority Revenue Bonds were used to refund the Authority's Variable Rate Dickinson College Revenue Bonds, Series B of 1996 and Series B of 2000, and to pay certain costs related to the issuance of the bonds.

The 1998 Cumberland County Municipal Authority Fixed Rate Revenue Bonds are insured for the life of the related debt by Ambac Assurance Corporation. As part of the loan agreement related to the 1998 Revenue Bonds issued by the College, Dickinson has agreed to indemnify the Bond Trustee and Authority for and against all liability, obligations, losses, claims and damages paid or incurred in connection with its business and properties, and the issuance of the bonds. The 2003 Pennsylvania Higher Education Facilities Authority Revenue Bonds are insured for the life of the related debt by Radian Asset Assurance, Inc. The 2006 Montgomery County Higher Education and Health Authority Revenue Bonds are insured for the life of the related debt by CIFG Assurance North America, Inc. The 2007 Cumberland County Municipal Authority Revenue bonds are insured for the life of the related debt by MBIA Insurance Corporation. The 2008 Cumberland County Municipal Authority Revenue Bonds were issued based on the creditworthiness of the College and did not require insurance.

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

The aggregate amount of maturities of long-term debt outstanding at June 30, 2008 is as follows:

2009	\$	2,015,000
2010		2,105,000
2011		2,205,000
2012		2,275,000
2013		2,355,000
Thereafter		90,700,000
	\$	<u>101,655,000</u>

**(6) Retirement and Other Benefits**

**(a) Retirement Benefits**

Retirement benefits are provided for substantially all employees through the Teacher's Insurance and Annuity Association and College Retirement Equities Fund (TIAA – CREF) and Fidelity. The College's policy with respect to its contribution is to fund 6% (5% in fiscal year 2007) of employees' salaries. Expense for the years ended June 30, 2008 and 2007 under this plan was approximately \$2,124,000 and \$1,974,000, respectively.

**(b) Early Retirement Plan**

The College maintains an unfunded Early Retirement Plan (ERP) in conjunction with the College basic retirement plan through TIAA – CREF to make it financially feasible for eligible employees to retire earlier than the age of 65. Under the ERP, eligible employees may choose to retire as early as age 62 and still receive benefits equal to what they would receive at age 65. Eligible employees may retire at any time from age 55 to age 62 and receive benefits reduced by 5% for every year prior to age 62. To be eligible to participate in the ERP an employee must be a faculty professional, or an administrator, and have 10 years of employment with the College by the time age 62 is reached.

In addition, employees electing to retire early receive an annual Social Security benefit supplement payment for four years until they are eligible for full Social Security benefits. The accumulated early retirement and Social Security benefit supplement liability is \$3,690,063 and \$3,217,519 for the years ended June 30, 2008 and 2007, respectively.

**(c) Postretirement Benefits Other Than Pensions**

Postretirement medical benefits are provided for participants retiring as early as 55 with at least 10 years of service. Spouses are eligible for the same coverage as retirees. Coverage provided includes medical benefits for three years for the retiree and spouse and life insurance equal to final salary.

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

The components of accrued benefit costs and net periodic benefit cost for other postretirement benefits as of June 30, 2008 and 2007 are as follows:

	<b>2008</b>	<b>2007</b>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 3,131,931	2,696,001
Service cost	348,674	351,794
Interest cost	191,203	160,196
Actuarial (gain) loss	(390,658)	171,612
Benefits paid	(154,439)	(95,708)
Change in plan provisions	—	(151,964)
Plan participant contributions	5,420	—
	<b>3,132,131</b>	<b>3,131,931</b>
Change in plan assets:		
Fair value of plan assets at beginning of year	—	—
Expected return on plan assets	—	—
Employer contributions	149,019	95,708
Benefits paid	(154,439)	(95,708)
Plan participant contributions	5,420	—
	—	—
Fair value of plan assets at end of year	—	—
Funded status	\$ (3,132,131)	(3,131,931)

The funded status is included in postretirement liabilities in the accompanying statements of financial position. The College uses an annual measurement date of June 30 to determine benefit obligations for the plan. The benefit obligations and funded status were calculated using a discount rate of 7.10% and 6.25% at June 30, 2008 and 2007, respectively.

	<b>2008</b>	<b>2007</b>
Assumed healthcare cost trend rates:		
Ultimate rate	6.50%	6.50%
Ultimate year	2018	2018
Healthcare cost trend rate	12.75%	13.50%
Discount rate	6.25	5.81
Compensation increases	4.00	4.00
Net periodic postretirement benefit cost (NPPBC):		
Service cost	\$ 348,674	351,794
Interest cost	191,203	160,196
Amortization of prior service cost	(17,075)	(9,960)
	<b>522,802</b>	<b>502,030</b>
Total NPPBC	\$ 522,802	502,030

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

The benefits expected to be paid after June 30, 2008 are as follows:

2009	\$	194,833
2010		248,843
2011		326,601
2012		344,501
2013		405,180
2014 – 2018		2,562,782

Expected employer and employee contributions during the year ending June 30, 2009 are \$194,833 and \$12,668, respectively.

In 2007, the College adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. As part of the College's implementation of SFAS No. 158, the gains or losses and prior service costs that arise during the period but are not recognized as components of net periodic benefit costs are recognized separately on the statement of activities as the cumulative effect of a change in accounting principle.

Amounts not recognized as a component of net periodic postretirement benefit cost are reported on the statement of activities as follows:

	<u>2008</u>	<u>2007</u>
Prior service credit	\$ —	151,964
Amortization of prior service cost	(17,075)	(9,960)
Net gain (loss)	<u>390,658</u>	<u>(183,381)</u>
	<u>\$ 373,583</u>	<u>(41,377)</u>

The projected net periodic postretirement benefit cost for 2009 includes expected amortization of prior service cost in the amount of \$17,075.

**(7) Lease Commitments**

The following is a schedule of future minimum lease payments under operating leases together with the amount of scheduled lease payments as of June 30, 2008:

2009	\$	335,589
2010		270,845
2011		219,978
2012		163,259
2013		166,758
Thereafter		530,870

## DICKINSON COLLEGE

### Notes to Financial Statements

June 30, 2008 and 2007

In addition, the College entered into two additional capital lease arrangements for student housing during 2008. The following is a schedule of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2008:

2009	\$	417,350
2010		427,444
2011		437,831
2012		448,520
2013		459,520
Thereafter		<u>3,175,683</u>
Total minimum lease payments		5,366,348
Less amount representing interest		<u>(3,390,733)</u>
Present value of net minimum lease payments	\$	<u><u>1,975,615</u></u>

Rental expense was \$1,467,981 in 2008 and \$1,063,890 in 2007.

#### (8) Fair Value of Financial Instruments

Estimated fair values of financial instruments that differ from the carrying amount have been determined by the College using available market information. The estimates are not necessarily indicative of the amounts the College could realize in a current market exchange.

##### (a) *Cash, Receivables and Current Obligations*

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximates fair value because of the short maturity of these financial instruments. A reasonable estimate of fair value of student loans receivable under government loan programs is not made because the notes are not salable and can only be assigned to the U.S. government or its designees. The fair value of the variable rate student loans receivable under College loan programs approximates the carrying value, net of allowances for doubtful loan accounts.

##### (b) *Investments, Excluding Real Estate*

The fair values of investments in debt and equity securities are based upon values provided by the external investment managers or quoted market prices. See note 2 for fair values of investments.

##### (c) *Long-Term Debt*

The fair value of long-term debt, based on current market rates for loans with similar maturities and credit quality, is \$96,508,871 at June 30, 2008.

**DICKINSON COLLEGE**

Notes to Financial Statements

June 30, 2008 and 2007

**(9) Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at June 30:

	<u>2008</u>	<u>2007</u>
Accumulated investment gains on donor endowments subject to time restrictions under Pennsylvania law	\$ 47,317,772	53,531,321
Pledges receivable and annuity funds subject to time and/or purpose restrictions	3,428,310	2,654,791
Unexpended donor restricted funds	<u>2,769,423</u>	<u>2,427,885</u>
	<u>\$ 53,515,505</u>	<u>58,613,997</u>

Unexpended donor restricted funds consist of funds available for scholarships and financial aid, building and capital projects, academic programs, and general operations of the College.

**(10) Permanently Restricted Net Assets**

Permanently restricted net assets consist principally of endowment funds and funds held in trust by others, which are designated for the following purposes:

	<u>2008</u>	<u>2007</u>
Donor contributed principal invested to support:		
Scholarship and financial aid	\$ 29,461,124	28,524,684
Educational and general programs	75,853,650	75,468,657
Loan funds for students	1,154,620	1,118,992
Donor pledges and annuities for endowments	<u>2,452,232</u>	<u>2,810,732</u>
	<u>\$ 108,921,626</u>	<u>107,923,065</u>

**(11) Tax Status**

The College, as a not-for-profit educational institution, qualifies under Section 501(c)(3) of the Internal Revenue Code and thus is exempt from federal income tax on activities related to its exempt purpose.

The College adopted the provisions of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), during the year ended June 30, 2008. FIN 48 prescribes a threshold of more-likely-than-not for recognition and derecognition of tax provisions taken or expected to be taken in a tax return. FIN 48 also recognizes related guidance on measurement, classification, interest and penalties, and disclosure. The implementation of FIN 48 had no impact on the College's statement of financial position or statement of activities. The College does not believe that there are any unrecognized tax benefits or costs that should be recorded.

**(12) Contingencies**

The College is involved in certain claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the College's financial position.

## **DICKINSON COLLEGE**

### Notes to Financial Statements

June 30, 2008 and 2007

#### **(13) Concentrations of Credit Risk**

Investments consist of a wide variety of financial instruments with no single investment individually material. The related values, as presented in the financial statements, are subject to various market fluctuations, which include changes in equity markets, the interest rate environment, and general economic conditions. These changes cause the net asset position of the College to increase or decrease.

#### **(14) Subsequent Event**

On September 29, 2008, the College was notified by Wachovia Bank, N.A. as trustee of the Commonfund Short Term Fund (the Fund), of its resignation as Trustee of the Fund, and its decision to terminate and liquidate the Fund. Effective as of the date of this notification, Wachovia froze 90% of the College's assets in the Fund, and established procedures for an orderly liquidation and distribution of the frozen assets of the Fund over a period of time. At June 30, 2008 and September 29, 2008, the College had \$4,718,455 and \$11,610,136, respectively, invested in the Fund. As permitted, the College has already withdrawn \$5,589,795, or 48%, through October 22, 2008. Commonfund has projected that an additional \$1,027,983 will be available for withdrawal through December 31, 2008, bringing the total available to 57%. As a result of the above, on September 30, 2008, management drew down \$7,000,000 on its available line of credit. Management believes that it has sufficient available liquidity in its current assets to meet its obligations as they become due.



**KPMG LLP**  
Suite 200  
30 North Third Street  
PO Box 1190  
Harrisburg, PA 17108-1190

## **Independent Auditors' Report on Accompanying Supplemental Schedule**

The Board of Trustees  
Dickinson College:

We have audited the accompanying statements of financial position of Dickinson College (the College) as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 the College'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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dickinson College as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

November 3, 2008

## DICKINSON COLLEGE

Supplemental Schedule

Year ended June 30, 2008

	<u>Current operations</u>	<u>Other unrestricted</u>	<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
<b>Revenues:</b>						
Tuition and fees	\$ 84,803,016	—	84,803,016	—	—	84,803,016
Student aid	<u>(25,177,727)</u>	<u>(257,737)</u>	<u>(25,435,464)</u>	<u>—</u>	<u>—</u>	<u>(25,435,464)</u>
Net tuition and fees	59,625,289	(257,737)	59,367,552	—	—	59,367,552
Private gifts, grants and contributions	2,756,740	17,613,120	20,369,860	3,997,869	1,610,902	25,978,631
Government grants and appropriations	803,401	1,550,322	2,353,723	—	—	2,353,723
Investment income	9,556,249	2,175,018	11,731,267	(1,554,090)	(449,638)	9,727,539
Change in value of split-interest agreements	—	36,105	36,105	(539,326)	(162,703)	(665,924)
Other revenues	426,546	619,743	1,046,289	—	—	1,046,289
Sales and services of auxiliary enterprises	25,672,586	—	25,672,586	—	—	25,672,586
Net assets released from restrictions	<u>—</u>	<u>7,002,945</u>	<u>7,002,945</u>	<u>(7,002,945)</u>	<u>—</u>	<u>—</u>
Total revenues	<u>98,840,811</u>	<u>28,739,516</u>	<u>127,580,327</u>	<u>(5,098,492)</u>	<u>998,561</u>	<u>123,480,396</u>
<b>Expenses:</b>						
Programs:						
Education and general:						
Instructional	33,011,864	3,202,476	36,214,340	—	—	36,214,340
Academic support	9,572,807	772,926	10,345,733	—	—	10,345,733
Student services	10,532,328	922,068	11,454,396	—	—	11,454,396
Research	2,133,572	488,732	2,622,304	—	—	2,622,304
Public service	445,226	410,824	856,050	—	—	856,050
Auxiliary enterprises	21,422,842	(97,658)	21,325,184	—	—	21,325,184
Institutional support	<u>16,641,152</u>	<u>2,691,047</u>	<u>19,332,199</u>	<u>—</u>	<u>—</u>	<u>19,332,199</u>
Total expenses	<u>93,759,791</u>	<u>8,390,415</u>	<u>102,150,206</u>	<u>—</u>	<u>—</u>	<u>102,150,206</u>
Change in net assets before capital items and additions to reserves and other loss	5,081,020	20,349,101	25,430,121	(5,098,492)	998,561	21,330,190
Capital items and additions to reserves	<u>(4,545,391)</u>	<u>4,545,391</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>Other gains (losses):</b>						
Pension-related changes other than net periodic pension cost	—	373,583	373,583	—	—	373,583
Loss on other items	<u>(535,629)</u>	<u>(2,400,224)</u>	<u>(2,935,853)</u>	<u>—</u>	<u>—</u>	<u>(2,935,853)</u>
Change in net assets	—	22,867,851	22,867,851	(5,098,492)	998,561	18,767,920
<b>Net assets:</b>						
Beginning of year	<u>—</u>	<u>209,117,875</u>	<u>209,117,875</u>	<u>58,613,997</u>	<u>107,923,065</u>	<u>375,654,937</u>
End of year	<u>\$ —</u>	<u>231,985,726</u>	<u>231,985,726</u>	<u>53,515,505</u>	<u>108,921,626</u>	<u>394,422,857</u>

See accompanying independent auditors' report.

**DICKINSON COLLEGE**

Notes to Supplemental Schedule

June 30, 2008

**(1) Components of Unrestricted Activities**

In the supplemental schedule, unrestricted activities are broken out by current operations and other unrestricted. The current operations column includes unrestricted activity presented on the same basis as the College's operating budget. Other unrestricted includes all other activities that are classified as unrestricted.