CORPORATION OF MARLBORO COLLEGE

FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2018 AND 2017

CliftonLarsonAllen LLP

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Corporation of Marlboro College (a nonprofit organization), which comprises the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Corporation of Marlboro College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporation of Marlboro College as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2018, on our consideration of Corporation of Marlboro College'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Corporation of Marlboro College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation of Marlboro College's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2018

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and Cash Equivalents	$ 2,297,105	$ 2,229,961
Cash Restricted for Long-Term Purposes	2,221,347	1,078,101
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of $32,323 in 2018 and $33,593 in 2017	232,450	265,799
Inventories	102,323	92,823
Prepaid Expenses and Other Assets	81,752	80,550
Contributions Receivable	10,000	487,704
Investments	-	3,498,314
Investments - Alternative	33,684,929	32,916,743
Interest in Split-Interest Agreements	511,764	514,335
Assets Held for Sale, Net	3,015,718	-
Land, Buildings, and Equipment, Net	18,357,123	21,988,912
Total Assets	$ 60,514,511	$ 63,153,242
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 244,969	$ 496,389
Accrued Expenses	740,210	943,269
Deposits	126,760	154,012
Deferred Revenue	333,916	348,404
Discount for Future Interest	42,368	37,519
Environmental Remediation Liability	183,321	176,058
Long-Term Debt Obligations	2,388,215	3,890,319
Total Liabilities	4,059,759	6,045,970
NET ASSETS		
Unrestricted	16,656,999	16,483,218
Temporarily Restricted	8,736,158	9,568,258
Permanently Restricted	31,061,595	31,055,796
Total Net Assets	56,454,752	57,107,272
Total Liabilities and Net Assets	$ 60,514,511	$ 63,153,242

See accompanying Notes to Financial Statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	$ 7,590,187	$ -	$ -	$ 7,590,187
Less: Scholarships	(5,036,883)	-	-	(5,036,883)
Net Tuition and Fees	2,553,304	-	-	2,553,304
Federal Aid to Students	74,400	-	-	74,400
Public Support	258,322	10,740	-	269,062
Contributions	3,283,957	349,651	-	3,633,608
Interest Income from Cash and Cash Equivalents	25	-	-	25
Investment Income Available for Operations	-	2,280,000	-	2,280,000
Sales and Services of Auxiliary Enterprises	1,628,798	-	-	1,628,798
Rental Income	926,584	-	-	926,584
Gain on Sale of Contributed Securities	4,172	-	-	4,172
Other Sources	277,104	-	-	277,104
Net Assets Released from Restrictions	4,715,569	(4,715,569)	-	-
Total Revenues, Gains, and Other Support	13,722,235	(2,075,178)	-	11,647,057
OPERATING EXPENSES				
Instruction	4,385,304	-	-	4,385,304
Public Support	400,108	-	-	400,108
Academic Support	1,111,631	-	-	1,111,631
Student Services	2,425,385	-	-	2,425,385
Institutional Support	3,442,690	-	-	3,442,690
Auxiliary Enterprises	1,804,240	-	-	1,804,240
Total Operating Expenses	13,569,358	-	-	13,569,358
CHANGE IN NET ASSETS FROM OPERATIONS	152,877	(2,075,178)	-	(1,922,301)
NONOPERATING ACTIVITIES				
Contributions	-	-	5,799	5,799
Net Investment Income, Net of Spending Policy	-	1,288,171	-	1,288,171
Change in Value of Split-Interest Agreements	-	(24,189)	-	(24,189)
Net Assets Released from Restrictions	20,904	(20,904)	-	-
Total Nonoperating Activities	20,904	1,243,078	5,799	1,269,781
CHANGE IN NET ASSETS	173,781	(832,100)	5,799	(652,520)
Net Assets - Beginning of Year	16,483,218	9,568,258	31,055,796	57,107,272
NET ASSETS - END OF YEAR	$ 16,656,999	$ 8,736,158	$ 31,061,595	$ 56,454,752

See accompanying Notes to Financial Statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	$ 8,900,994	$ -	$ -	$ 8,900,994
Less: Scholarships	(5,277,558)	-	-	(5,277,558)
Net Tuition and Fees	3,623,436	-	-	3,623,436
Federal Aid to Students	74,400	-	-	74,400
Public Support	162,380	28,999	-	191,379
Contributions	1,995,996	1,249,501	-	3,245,497
Interest Income from Cash and Cash Equivalents	997	-	-	997
Investment Income Available for Operations	-	2,190,341	-	2,190,341
Sales and Services of Auxiliary Enterprises	1,848,510	-	-	1,848,510
Rental Income	963,128	-	-	963,128
Loss on Sale of Contributed Securities	(3,397)	19	-	(3,378)
Other Sources	86,975	-	-	86,975
Net Assets Released form Restrictions	4,803,131	(4,803,131)	-	-
Total Revenues, Gains, and Other Support	13,555,556	(1,334,271)	-	12,221,285
OPERATING EXPENSES				
Instruction	5,004,496	-	-	5,004,496
Public Support	293,567	-	-	293,567
Academic Support	1,144,036	-	-	1,144,036
Student Services	2,463,288	-	-	2,463,288
Institutional Support	3,438,141	-	-	3,438,141
Auxiliary Enterprises	1,827,002	-	-	1,827,002
Total Operating Expenses	14,170,530	-	-	14,170,530
CHANGE IN NET ASSETS FROM OPERATIONS	(614,974)	(1,334,271)	-	(1,949,245)
NONOPERATING ACTIVITIES				
Contributions	2,500	212,500	558,699	773,699
Net Investment Income, Net of Spending Policy	-	2,713,492	-	2,713,492
Change in Value of Split-Interest Agreements	-	15,899	-	15,899
Net Assets Released from Restrictions	175,969	(175,969)	-	-
Reclassification of Net Assets	(350)	350	-	-
Total Nonoperating Activities	178,119	2,766,272	558,699	3,503,090
CHANGE IN NET ASSETS	(436,855)	1,432,001	558,699	1,553,845
Net Assets - Beginning of Year	16,920,073	8,136,257	30,497,097	55,553,427
NET ASSETS - END OF YEAR	$ 16,483,218	$ 9,568,258	$ 31,055,796	$ 57,107,272

See accompanying Notes to Financial Statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (652,520)	$ 1,553,845
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	942,374	997,320
Acquisition of Guaranteed Note Payable	-	109,821
Contributions Restricted for Long-Term Purposes	(5,799)	(773,699)
Net Realized and Unrealized Gain on Investments	(2,776,888)	(5,286,321)
Change in Value of Split-Interest Agreements	(24,189)	(15,899)
Discount - Future Interest	4,849	(1,868)
(Increase) Decrease in Assets:		
Accounts Receivable	33,349	(82,592)
Inventories	(9,500)	198
Prepaid Expenses and Other Assets	(1,202)	81,709
Contributions Receivable	477,704	(178,778)
Increase (Decrease) in Liabilities:		
Accounts Payable	(251,420)	(188,226)
Accrued Expenses	(203,059)	(186,905)
Deposits	(27,252)	9,191
Environmental Remediation Liability	7,263	6,975
Deferred Revenue	(14,488)	4,395
Net Cash Used by Operating Activities	(2,500,778)	(3,950,834)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	(1,143,246)	2,490,046
Payments for the Acquisition of Land, Buildings, and Equipment	(326,304)	(632,245)
Proceeds from Sales of Investments	8,768,204	(1,047,344)
Purchase of Investments	(3,261,187)	1,461,564
Net Cash Provided by Investing Activities	4,037,467	2,272,021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	-	1,370,000
Payments on Long-Term Debt	(1,502,104)	(1,488,472)
Proceeds from Redemption of Split-Interest Agreement	26,760	1,920
Contributions Received Restricted for Long-Term Purposes	5,799	773,699
Net Cash Provided (Used) by Financing Activities	(1,469,545)	657,147
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	67,144	(1,021,666)
Cash and Cash Equivalents - Beginning of Year	2,229,961	3,251,627
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,297,105	$ 2,229,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 124,727	$ 101,624

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporation of Marlboro College (the College), a nonprofit corporation, was incorporated in 1947 for the purpose of providing liberal arts education to college students. Since that time, the College has expanded its operation and mission to include graduate and professional programs in management and education.

In order to fully support the College's mission and reach enrollment and retention goals, the President and the Board of Trustees have taken deliberate action to invest in those areas that have an impact on recruitment, retention and fundraising. This action, coupled with declining enrollment and net tuition revenue, has resulted in operating deficits. Moving forward, the expectation is that these investments will position the school to better attract and retain students. The College has more experienced leadership in enrollment management and development. Both of these additions should provide stability and improved results in these critical functions. While investing in revenue-generating and programmatic areas, the College has continued to implement cost cutting measures. In so doing, the College has endeavored to avoid impact to student experience and academic quality.

The Administration and Board of Trustees are also exploring other options to achieve financial stability. These include partnerships with other institutions, a restructuring of the academic program to focus on core competencies, outreach to non-traditional students and the development of additional revenue generating programs.

Basis of Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Unrestricted — Those resources over which the Board of Trustees has discretionary control. The Board designated amounts represent those amounts which the Board has set aside for a particular purpose.

Temporarily Restricted — Those resources subject to donor imposed restrictions which will be satisfied by actions of the College or passage of time.

Permanently Restricted — Those resources subject to a donor imposed restriction that they be maintained permanently by the College. The donors of these resources permit the College to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, situations in which the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in temporarily restricted net assets and as net assets released from restrictions. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in temporarily restricted net assets and are released to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as additional contributions revenue in accordance with the donor imposed restrictions, if any, on the contributions. Contributions of works of art, historical treasures, and similar assets held as part of a collection for education, research, or public exhibition purposes rather than for sale or financial gain are capitalized.

During the years ended June 30, 2018 and 2017, the College received 63% and 57%, respectively, of its contributions from two donors. The College reports contributions of land, buildings, or equipment as unrestricted support, unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as unrestricted support, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as temporarily restricted support and reclassified to unrestricted net assets when the assets are acquired and placed in service.

Dividends, interest, and net gains (losses) on investments of endowments and similar funds are reported as follows:

- as increases (decreases) in temporarily restricted net assets if the terms of the gift or applicable law impose restrictions on the current use of the income or net gains; and

- as increases (decreases) in unrestricted net assets in all other cases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Operating revenues, gains, and other support include interest and dividend income, realized and unrealized gains and losses earned during the fiscal year and, in certain instances, accumulated realized and unrealized gains from previous years, to meet the College's total return spending policy.

Changes in net assets which are excluded from operating income include investment income (loss) greater (less) than amounts distributed pursuant to the College's spending policy, changes in value of split-interest agreements, contributions which are permanently restricted by the donor or which are donor restricted to be used for the purposes of acquiring long-term assets, and the release thereof when the College has complied with the donor restrictions.

New Accounting Pronouncement

Presentation of Financial Statements of Not-for-Profit Entities

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which will modify the presentation of net asset classifications and enhance disclosures about liquidity and functional classification of expenses. The ASU is effective for financial statements issued for fiscal years beginning after December 15, 2017. Management has not yet evaluated the effects of the new standard on its financial statements.

Cash and Cash Equivalents

The College considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. The College maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant risk on cash and cash equivalents.

Cash Restricted for Long-Term Purposes

The College includes permanently restricted contributions received that have not been invested in investments or investment in limited partnerships in cash restricted for long-term purposes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The College provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously written off are recorded when received. All accounts receivable are unsecured.

A receivable is considered to be past due if the receivable balance is outstanding for over 120 days. No interest is charged on past due receivables.

Inventories

Inventories, which consist primarily of fuel inventory and bookstore inventory, are carried at the lower of cost (average cost) or net realizable value. Cost is determined by the first-in, first-out method.

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Fair value for alternative investments for which there is no readily determinable fair market value are determined by the fund’s net asset value or equivalent.

Split-Interest Agreements

The College’s split-interest agreements with donors consist of pooled life-income funds. Changes in the value of split-interest agreements are recorded as change in value of split-interest agreements in the statements of activities.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at construction or acquisition cost except gifts in-kind, which are recorded at their estimated fair value at the date of the gift. The costs of repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized in accordance with the College’s capitalization police. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as disclosed in Note 11.

When plant and equipment are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities at the date of disposition.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets Held for Sale

During 2018 the Board of Trustees approved the sale of a building located in Brattleboro, Vermont used primary as office space for unrelated tenants. During 2018, the College determined the building met the criterion to be classified as an asset held for sale on the statements of financial position. No impairment charge has been reflected in the statements of activities based on this classification. The building was sold in August, 2018 as more fully described in Note 20.

Accrued Sabbatical Leave

The College accrues the cost of the employees' unrestricted sabbatical leave over the employees' requisite service period. The unrestricted sabbatical leave liability accrued as of June 30, 2018 and 2017 was $305,720 and $251,649, respectively.

Deposits and Deferred Revenue

The College receives payments for certain summer programs and fall registration fees prior to June 30 of each year. In order to properly match revenues and expenditures, such payments are credited to student deposits at June 30. The revenue will be recognized in the fiscal year when the programs are conducted.

Tax Status

The College is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the IRC.

The College has adopted a policy that clarified the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no material impact on the College's financial statements. The College files as a tax exempt organization.

Use of Estimates

The presentation 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited. All functional expense categories, with exception of institutional support, can be classified as expenses supporting the College's main program. Institutional support expenses are considered administrative expenses and include fundraising expenses (Note 15).

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in value in the near term would materially affect the amounts reported in the statement of financial position.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 19, 2018, the date the financial statements were issued. The College sold a building subsequent to year-end as disclosed in Note 20.

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

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

	2018	2017
Purpose Restrictions:		
Instruction	$ 994,582	$ 996,546
Student Aid	1,015,022	865,091
Building and Equipment	493,643	511,561
Other Purpose Restrictions	5,796,622	6,251,777
Total Purpose Restrictions	8,299,869	8,624,975
Time Restrictions:		
Life Income Fund	426,289	450,579
Contributions Receivable, Net	10,000	492,704
Total Time Restrictions	436,289	943,283
Total Temporarily Restricted Net Assets	$ 8,736,158	$ 9,568,258

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30 have the following income restrictions:

	2018	2017
Instruction	$ 14,983,459	$ 14,982,334
Student Aid	7,110,249	7,107,301
Other	1,427,216	1,425,489
Any Activities of the College	7,540,671	7,540,672
Total Permanently Restricted Net Assets	$ 31,061,595	$ 31,055,796

NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from temporary donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of events specified by the donors are as follows for the years ended June 30:

	2018	2017
Operating Purpose Restrictions:		
Instruction	$ 513,560	$ 476,573
Student Aid	231,767	143,698
Other	3,945,242	4,090,360
Subtotal	4,690,569	4,710,631
Time Restrictions	25,000	92,500
Total Temporarily Restricted Net Assets	$ 4,715,569	$ 4,803,131
Nonoperating Purpose Restriction - Plant	$ 20,904	$ 175,969

NOTE 5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2018	2017
Unrestricted	$ 224,036	$ 138,123
Cash Held as Collateral (Note 12)	-	1,370,000
Repairs and Replacement Reserve (Note 12)	181,000	181,000
Temporarily Restricted	1,892,069	540,838
Total	$ 2,297,105	$ 2,229,961

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable contain unrestricted and restricted amounts. Restrictions in place are primarily for endowment, building construction, and annual fund pledges. Total contributes receivable consist of the following at June 30:

	2018	2017
Unconditional Promises Expected to be Collected in:		
Less than One Year	$ 10,000	$ 423,500
One Year to Five Years	-	65,000
Total	10,000	488,500
Less: Discount to Present Value at 1.24%	-	(796)
Total	$ 10,000	$ 487,704

NOTE 7 ACCOUNTS RECEIVABLE

The following summarizes the aging of past due student accounts receivable for the years ended June 30:

	2018	2017
120 Days Past Due	$ 98,509	$ 117,765
Total Past Due	$ 98,509	$ 117,765

The following summarizes the sources of changes to the allowance for doubtful accounts on the student accounts receivable for the years ended June 30:

	2018	2017
Allowance for Doubtful Accounts - Beginning of Year	$ 33,593	$ 24,887
Bad Debt Collections (Write-Offs)	(39,270)	(9,294)
Bad Debt Expense	38,000	18,000
Allowance for Doubtful Accounts - End of Year	$ 32,323	$ 33,593

NOTE 8 INVESTMENTS

The College's investments, at fair value, are summarized as follows at June 30:

	2018	2017
Short-Term Investments	$ -	$ 1,027,518
Common Stock	-	2,230,524
U.S. Government and Corporate Bonds	-	240,272
Total	$ -	$ 3,498,314

Investment income (loss) from investments consists of the following for the years ended June 30:

	2018	2017
Interest and Dividends	$ 5,931	$ 80,811
Unrealized and Realized Gains (Losses)	(58,700)	261,559
Less: Investment Management Fees	(9,494)	(30,130)
Net Investment Gains (Losses)	$ (62,263)	$ 312,240

NOTE 9 INVESTMENT – ALTERNATIVE

Alternative investments are carried at the College's proportional share of the fair value of the net asset value of the total fund. The balance of alternative investments at June 30, 2018 and 2017 was $33,684,929 and $32,916,743, respectively. Investment income (loss) from alternative investments for the years ended June 30 consists of the following:

	2018	2017
Interest and Dividends	$ 1,161,972	$ 9,365
Unrealized and Realized Gains (Losses)	2,835,588	5,024,762
Less: Investment Management Fees	(367,126)	(448,782)
Net Investment Gains (Losses)	$ 3,630,434	$ 4,585,345

NOTE 10 INTEREST IN SPLIT-INTEREST AGREEMENTS

For split-interest agreements where the College holds the assets, the liability to income beneficiaries is discounted based on the donors' life expectancy at the end of each fiscal year using a discount rate commensurate with the risk involved at the date of the initial gifts. The discount is included in discount for future interest in the statements of financial position.

	2018	2017
Temporarily Restricted Primarily for General Operations Pooled Life-Income Funds:		
Short-Term Investments	$ 14,436	$ 18,701
Common Stock	272,660	269,401
U.S. Government Bonds	224,668	226,233
Total Interest in Split-Interest Agreements	$ 511,764	$ 514,335

NOTE 11 LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of the College's land, buildings, and equipment at June 30:

	Estimated Useful Lives	2018	2017
Land and Other Nondepreciable Assets	-	$ 1,491,384	$ 1,440,654
Artwork	-	312,283	339,883
Campus Grounds	15 to 40 Years	3,767,608	3,767,608
Buildings and Building Improvements	15 to 40 Years	23,382,281	28,513,827
Furniture, Fixtures, and Equipment	3 to 10 Years	3,542,612	3,664,384
Library Books	7 Years	791,963	752,523
Vehicles	5 Years	469,713	456,404
Total		33,757,844	38,935,283
Less: Accumulated Depreciation		(15,400,721)	(16,946,371)
Net Land, Buildings, and Equipment		$ 18,357,123	$ 21,988,912

Depreciation expense charged to operations was $942,374 and $997,320 for the years ended June 30, 2018 and 2017, respectively.

The College reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less the costs to sell.

NOTE 12 LONG-TERM DEBT OBLIGATIONS

The following is a summary of the College's long-term debt obligations at June 30:

Description	2018	2017
$109,821 Vermont Economic Development Authority term note with interest payable at a rate of 4.25%; interest and principal payable in monthly installments of $4,781 commencing May 15, 2017 through maturity on April 15, 2019	$ 46,893	$ 101,021
$1,370,000 People's United Bank Note with interest payable at a rate of 2.00% with principal and interest payable in monthly installments commencing May 18, 2017 through maturity on May 18, 2022. The term note is collateralized by a cash held in a separate bank account (Note 5).	-	1,365,334
$3,000,000 U.S. Department of Agriculture Rural Development (RD) Mortgage. Interest due annually on January 11, 2008 and 2009 first two years only. Principal and interest at an annual rate of 4.125% due monthly commencing February 11, 2009 on a 30-year amortization schedule; collateralized by the tangible personal property and fixtures of the College.	2,341,322	2,423,964
Total	$ 2,388,215	$ 3,890,319

Schedule of maturities of long-term debt outstanding are as follows:

Year Ending June 30,	Amount
2019	$ 133,010
2020	89,737
2021	93,509
2022	97,440
2023	101,537
Thereafter	1,872,982
Total	$ 2,388,215

NOTE 12 LONG-TERM DEBT OBLIGATIONS (CONTINUED)

The College is required to maintain a reserve account in conjunction with the RD mortgage, which shall be used for repairs or replacements for any damages that are not covered by insurance, improvements to the facility that have been approved by the RD, or to fund any short-falls in the debt service account when the principal and interest is due. The College shall transfer $1,509 per month until there is an accumulated sum of $181,080, after which no further transfers need to be made except to replace withdrawals. At June 30, 2018, the balance in this reserve account was approximately $181,000, which is included in cash and cash equivalents in the statement of financial position. Insurance coverage over fire, public liability, vehicular public liability, workers' compensation, medical malpractice, and builder's risk insurance must be maintained throughout the term of the mortgage. At June 30, 2018, management believes that the College is in compliance with all covenant requirements.

Interest Expense

Interest expense was $124,727 and $101,624 for the years ended June 30, 2018 and 2017, respectively.

Line of Credit

The College had a line of credit available in the amount of $2,000,000 which was terminated on April 26, 2017 and replaced with a new line of credit in the amount of $500,000. This line of credit is available on a revolving basis during certain times of the year, and is payable on demand. Borrowings under this line of credit bear interest at the bank's prime rate (5% and 4.00% at June 30, 2018 and 2017). At June 30, 2018 and 2017, there were no amounts outstanding under the line of credit agreement.

NOTE 13 FACULTY TERMINATION AGREEMENT

In June 1990, the College entered into an agreement with its existing faculty whereby each faculty member would be paid an additional two months' salary at the then existing salary rate upon termination of employment with the College. Included in accrued expenses at June 30, 2018 and 2017 was $23,215 and $21,849, respectively, related to this agreement.

NOTE 14 RETIREMENT PLAN

The College participates in retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA). Substantially all full-time employees are eligible to participate in the Plans. Participation in the Plan is voluntary. Eligible participants are permitted to elect to have a percentage or dollar amount, limited by Plan provisions, of their compensation contributed as pre-tax 403(b) contributions to the Plan. The Employer makes a matching contribution for eligible employees at a rate of 100% of deferral contributions up to a maximum of 5% of eligible total compensation. Effective July 1, 2017, the employer matching contribution was changed to a rate of 100% of deferral contributions up to a maximum of 4% of eligible total compensation. The College's contribution to retirement plans for the years ended June 30, 2018 and 2017 was $138,875 and $194,783, respectively.

The College adopted a defined contribution retiree healthcare plan effective July 1, 2007. All employees who have attained the age of 40 and have completed one year of service are eligible. The College contributes $20.65 monthly to those eligible during their employment, as defined, and employees may make additional voluntary contributions. The College's contributions to the retiree healthcare plan for the years ended June 30, 2018 and 2017 were $13,898 and $15,079, respectively.

NOTE 15 FUNDRAISING EXPENSES

Fundraising costs for each of the years ended June 30, 2018 and 2017 were approximately $300,000, and are included in institutional support expense.

NOTE 16 ENDOWMENT

The College's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 16 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law

The College has interpreted the State of Vermont Prudent Management of Institutional Funds Act (the Act), which became effective May 5, 2009, as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond these amounts that excess is available for appropriation and, therefore, classified as temporarily restricted net assets until appropriated by the Board for expenditure. Funds designated by the Board of Trustees to function as endowments are classified as unrestricted net assets.

In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Composition and Changes in Endowment

The endowment net asset composition by type of fund as of June 30 is as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted				
Endowment Funds	$ -	$ 6,558,029	$ 31,061,595	$ 37,619,624
Total	$ -	$ 6,558,029	$ 31,061,595	$ 37,619,624

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted				
Endowment Funds	$ -	$ 6,287,804	$ 31,055,796	$ 37,343,600
Total	$ -	$ 6,287,804	$ 31,055,796	$ 37,343,600

NOTE 16 ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

The changes in endowment net assets for the fiscal years ended June 30 are as follows:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - June 30, 2017	$ -	$ 6,287,804	$ 31,055,796	$ 37,343,600
Investment Gain:				
Investment Income	-	1,167,837	-	1,167,837
Net Appreciation	-	2,400,334	-	2,400,334
Total Investment Gain	-	3,568,171	-	3,568,171
Contributions	-	-	5,799	5,799
Appropriation of Endowment Assets for Expenditures	-	(3,297,946)	-	(3,297,946)
Endowment Net Assets - June 30, 2018	$ -	$ 6,558,029	$ 31,061,595	$ 37,619,624

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets - June 30, 2016	$ (3,692)	$ 4,616,027	$ 30,497,033	$ 35,109,368
Investment Gain:				
Investment Income	-	90,176	-	90,176
Net Appreciation	-	4,813,580	-	4,813,580
Total Investment Gain	-	4,903,756	-	4,903,756
Contributions	-	-	558,763	558,763
Net Asset Transfers	3,692	(3,692)	-	-
Appropriation of Endowment Assets for Expenditures	-	(3,228,287)	-	(3,228,287)
Endowment Net Assets - June 30, 2017	$ -	$ 6,287,804	$ 31,055,796	$ 37,343,600

NOTE 16 ENDOWMENT (CONTINUED)

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $-0- as of June 30, 2018 and 2017.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a sustainable and consistent level of support for the College's operating budget, while preserving the inflation-adjusted value of the principal of the endowment fund. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed or meet designated benchmarks while incurring a reasonable and prudent level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The College has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. For the fiscal years ended June 30, 2018 and 2017, the Board approved appropriations of 5.75%. In 2018, the Board approved additional spending on the donor-restricted portion of the endowment up to 8.5%. The actual spend over the approved 5.75% for donor-restricted endowment was approximately $1,017,946. In 2017, the Board approved additional spending on the donor-restricted portion of the endowment up to 8.5%. The actual spend over the approved 5.75% for donor-restricted endowment was approximately $900,000. For both 2018 and 2017, the additional spend on the endowment was for strategic initiatives and to support operations. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the inflation-adjusted value of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 17 LEASES

The College is the lessor of office space in an office building located in Brattleboro, Vermont, expiring in various years through 2021. The College sold this office building subsequent to year-end in August, 2018 as described in Note 20.

Rental income from these leases was $586,181 and $621,881 for the years ended June 30, 2018 and 2017, respectively.

NOTE 18 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

FASB ASC 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10-20 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that reflect the College's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

Assets measured at fair value on a recurring basis are summarized below at June 30:

	2018				
	Total	Level 1	Level 2	Level 3	Measured at NAV
Investments - Alternative	$ 33,684,929	$ -	$ -	$ -	$ 33,684,929
Interest in Split-Interest Agreements:					
Short-Term Investments	14,416	14,416	-	-	-
Common Stocks	272,660	272,660	-	-	-
U.S. Government and Corporate Bonds	224,688	224,688	-	-	-
Total Interest in Split-Interest Agreements	511,764	511,764	-	-	-
Total	$ 34,196,693	$ 511,764	$ -	$ -	$ 33,684,929

	2017				
	Total	Level 1	Level 2	Level 3	Measured at NAV
Investments:					
Short-Term Investments	$ 1,027,518	$ 1,027,518	$ -	$ -	$ -
Common Stocks	2,230,524	2,230,524	-	-	-
U.S. Government and Corporate Bonds	240,272	240,272	-	-	-
Total Investments	3,498,314	3,498,314	-	-	-
Investments - Alternative	32,916,743	-	-	-	32,916,743
Interest in Split-Interest Agreements:					
Short-Term Investments	18,701	18,701	-	-	-
Common Stocks	269,401	269,401	-	-	-
U.S. Government and Corporate Bonds	226,233	226,233	-	-	-
Total Interest in Split-Interest Agreements	514,335	514,335	-	-	-
Total	$ 36,929,392	$ 4,012,649	$ -	$ -	$ 32,916,743

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

Short-term investments, common stock, mutual funds, and U.S. government and corporate bonds are classified as Level 1 of the fair value hierarchy because their fair values are based on quoted prices for identical securities. The remaining investments of the College are considered alternative and do not have readily determinable fair values. Investments that do not have readily determinable fair values are valued using the investments net asset value as the practical expedient. The College summarizes alternative investments by significant investment category consisting of (1) U.S. equities, (2) non-U.S. equities, (3) marketable alternatives (liquid securities that usually cannot be exited within 30 days), (4) real assets (real estate, energy, and natural resources), (5) opportunistic funds (underlying securities generally do not trade on public markets), and (6) private equity funds. Generally funds are invested in partnerships or equivalent.

The following presents the College's net asset values and liquidity for significant investment category considered to be alternative as of June 30:

	2018						
	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	Days Notice
Investments - Alternative:							
U.S. Equities	$ 2,664,352	$ -	$ -	$ 2,664,352	$ -	$ -	45 Days
Non-U.S. Equities	11,013,304	1,483,503	2,491,027	5,175,539	-	1,863,235	6 - 90 Days
Marketable Alternatives	4,543,080	-	-	-	1,888,106	2,654,974	60 - 90 Days
Real Assets	436,474	-	-	-	-	436,474	Annual/Illiquid
Opportunistic	7,035,776	-	-	3,694,312	-	3,341,464	90 Days/Illiquid
Private Equity Funds	7,991,943	-	-	-	-	7,991,943	Illiquid
Total	$ 33,684,929	$ 1,483,503	$ 2,491,027	$ 11,534,203	$ 1,888,106	$ 16,288,090	

	2017						
	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	Days Notice
Investments - Alternative:							
U.S. Equities	$ 2,141,528	$ -	$ -	$ 2,141,528	$ -	$ -	45 Days
Non-U.S. Equities	7,184,080	879,054	2,439,545	2,027,380	1,838,101	-	6 - 90 Days
Marketable Alternatives	8,368,465	-	-	3,372,414	4,996,051	-	60 - 90 Days
Real Assets	850,167	-	-	-	-	850,167	Annual/Illiquid
Opportunistic	7,271,502	-	-	3,394,722	-	3,876,780	90 Days/Illiquid
Private Equity Funds	7,101,001	-	-	-	-	7,101,001	Illiquid
Total	$ 32,916,743	$ 879,054	$ 2,439,545	$ 10,936,044	$ 6,834,152	$ 11,827,948	

At June 30, 2018, the College's outstanding commitments to certain alternative investments total $1,479,350. The following is a summary of capital commitments by investment category as of June 30, 2018:

	Unfunded Commitments
Investments - Alternative:	
Real Assets	$ 146,636
Opportunistic	37,180
Private Equity Funds	1,295,534
Total Unfunded Commitments	$ 1,479,350

NOTE 19 ENVIRONMENTAL REMEDIATION LIABILITIES

During the fiscal year ended June 30, 2011, the College recognized its legal obligation to remove asbestos from its premises. As a result, the Organization has reflected an undiscounted estimated liability of $183,321 and $176,058 for the cost of removing the asbestos as of June 30, 2018 and 2017, respectively. It is reasonably possible that the amount of the estimated liability could change in the near term. The date of removal is undetermined as of June 30, 2018.

NOTE 20 SUBSEQUENT EVENTS

In May 2018, the College entered into a Purchase and Sale Agreement with an unrelated party to sell a building as more fully described in Note 1. The building was sold in August 2018 for approximately $3,000,000. The net proceeds of the sale will be used for the general operations of the College.

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*

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

We have audited, in accordance with the 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, the financial statements of the Corporation of Marlboro College, which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation of Marlboro College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* 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 a combination of deficiencies, in internal control, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2018

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on Compliance for Each Major Federal Program

We have audited Corporation of Marlboro College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corporation of Marlboro College's major federal programs for the year ended June 30, 2018. Corporation of Marlboro College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statues, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Corporation of Marlboro College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Corporation of Marlboro College'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 unmodified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Corporation of Marlboro College's compliance.

Opinion on Each Major Federal Program

In our opinion Corporation of Marlboro College complied, in all material respects, with the types of compliance 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

Corporation of Marlboro College's response to the noncompliance finding identified in our audit are described in the accompanying schedule of findings and questions costs and corrective action plan. Corporation of Marlboro College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Corporation of Marlboro College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Corporation of Marlboro College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Corporation of Marlboro College'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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Corporation of Marlboro College's response to the internal control over compliances finding identified in our audit is described in the accompanying schedule of findings and questions costs and corrective action plan. Corporation of Marlboro College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of Corporation of Marlboro College as of and for the year ended June 30, 2018, and have issued our report thereon dated October 19, 2018, which contained an unmodified opinion on those financial statements. 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 the Uniform Guidance 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2018

CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Total Federal Expenditures
U.S. Department of Education		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grant Program (FSEOG)	84.007	$ 67,229
Federal Direct Loan Program	84.268	1,352,494
Federal Work Study Program (FWS)	84.033	74,400
Federal Pell Grant program (PELL)	84.063	389,843
Total U.S. Department of Education		1,883,966
Total Expenditures of Federal Awards		$ 1,883,966

See accompanying Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Corporation of Marlboro College under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Because the Schedule presents only a selected portion of the operations of Corporation of Marlboro College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Corporation of Marlboro College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Corporation of Marlboro College has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I — Summary of Auditors' Results

Financial Statements

1. Type of auditors' report issued: Unmodified

2. Internal control over financial reporting:

   - Material weakness(es) identified? _____ yes __x__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes __x__ none reported

3. Noncompliance material to financial statements noted? _____ yes __x__ no

Federal Awards

4. Internal control over major federal programs:

   - Material weakness(es) identified? _____ yes __x__ no
   - Significant deficiency(ies) identified that are not considered to be material weakness(es)? __x__ yes _____ none reported

5. Type of auditors' report issued on compliance for major federal programs: Unmodified

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? __x__ yes _____ no

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
Various	Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? __x__ yes _____ no

Section II — Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III — Findings and Questioned Costs — Major Federal Programs

2018 – 001

Federal agency: United States Department of Education

Federal program title: Student Financial Aid Cluster

CFDA Number: Various

Award Period: July 1, 2017 through June 30, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: Federal Student Financial Assistance regulations require student enrollment status changes be reported to the National Student Loan Database System (NSLDS) within 30 days.

Condition: During our testing of the Direct Loan and Pell Grant programs, we selected a sample of students to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). We noted during our testing 1 out of 13 students tested whose enrollment status was not reported to the NSLDS.

Questioned costs: None

Context: During our testing of enrollment reporting, we noted one student of our sample of 13 students who was not reported to the NSLDS due to an error in their student record resulting from an invalid social security number.

Cause: The student had transposed their social security number which resulted in them never being reported to the NSLDS.

Effect: The student's enrollment status was not reported to the NSLDS within the required 30 days.

Repeat Finding: No

Recommendation: We recommend the college implement a process to verify the authenticity of student reported information such as a social security number. Further, ensuring the college's financial aid and student enrollment reporting software is up to date will help mitigate any errors that arise as a result of inconsistent information that may be corrected on a later upgrade.

Views of responsible officials: There is no disagreement with the audit finding.

CliftonLarsonAllen

A member of Nexia International

CORPORATION OF MARLBORO COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

CORPORATION OF MARLBORO COLLEGE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2019 AND 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

We have audited the accompanying financial statements of Corporation of Marlboro College (a nonprofit organization), which comprises the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
Corporation of Marlboro College

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporation of Marlboro College as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Corporation of Marlboro College's financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Effect of Adopting New Accounting Standard

As described in Note 1, the Corporation of Marlboro College adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-For-Profit Entities*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used. Our opinion is not modified with respect to that matter.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 24, 2019

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2018)

	2019	2018
ASSETS		
Cash and Cash Equivalents	$ 2,909,442	$ 2,297,105
Cash Restricted for Long-Term Purposes	3,772,688	2,221,347
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of $32,373 in 2019 and $32,323 in 2018	142,781	232,450
Inventories	69,696	102,323
Prepaid Expenses and Other Assets	86,086	81,752
Contributions Receivable	-	10,000
Investments	29,443,772	33,684,929
Interest in Split-Interest Agreements	522,984	511,764
Assets Held for Sale, Net	-	3,015,718
Land, Buildings, and Equipment, Net	11,958,568	18,357,123
Total Assets	$ 48,906,017	$ 60,514,511
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 400,070	$ 244,969
Accrued Expenses	481,708	740,210
Deposits	193,828	126,760
Deferred Revenue	251,429	333,916
Discount for Future Interest	62,911	42,368
Environmental Remediation Liability	190,882	183,321
Long-Term Debt Obligations	2,255,205	2,388,215
Total Liabilities	3,836,033	4,059,759
NET ASSETS		
Net Assets without Donor Restrictions	7,541,234	16,656,999
Net Assets with Donor Restrictions	37,528,750	39,797,753
Total Net Assets	45,069,984	56,454,752
Total Liabilities and Net Assets	$ 48,906,017	$ 60,514,511

See accompanying Notes to Financial Statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
YEARS ENDED JUNE 30, 2019
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019			
	Without Donor Restrictions	With Donor Restrictions	Total June 30, 2019	Total June 30, 2018
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	$ 6,895,162	$ -	$ 6,895,162	$ 7,590,187
Less: Scholarships	(4,914,461)	-	(4,914,461)	(5,036,883)
Net Tuition and Fees	1,980,701	-	1,980,701	2,553,304
Federal Aid to Students	74,400	-	74,400	74,400
Public Support	291,219	7,000	298,219	269,062
Contributions	4,176,545	432,451	4,608,996	3,633,608
Interest Income from Cash and Cash Equivalents	-	-	-	25
Investment Income Available for Operations	-	1,845,956	1,845,956	2,280,000
Sales and Services of Auxiliary Enterprises	1,367,466	-	1,367,466	1,628,798
Rental Income	392,422	-	392,422	926,584
Gain on Sale of Contributed Securities	10,616	6,709	17,325	4,172
Other Sources	87,632	-	87,632	277,104
Net Assets Released from Restrictions	3,059,339	(3,059,339)	-	-
Total Revenues, Gains, and Other Support	11,440,340	(767,223)	10,673,117	11,647,057
OPERATING EXPENSES				
Instruction	4,212,152	-	4,212,152	4,385,304
Public Support	564,083	-	564,083	400,108
Academic Support	1,074,521	-	1,074,521	1,111,631
Student Services	2,791,468	-	2,791,468	2,425,385
Institutional Support	3,542,232	-	3,542,232	3,442,690
Auxiliary Enterprises	1,711,050	-	1,711,050	1,804,240
Total Operating Expenses	13,895,506	-	13,895,506	13,569,358
CHANGE IN NET ASSETS FROM OPERATIONS BEFORE IMPAIRMENT	(2,455,166)	(767,223)	(3,222,389)	(1,922,301)
Impairment Expense	(6,050,000)	-	(6,050,000)	-
CHANGE IN NET ASSETS FROM OPERATIONS	(8,505,166)	(767,223)	(9,272,389)	(1,922,301)
NONOPERATING ACTIVITIES				
Contributions	-	2,365	2,365	5,799
Nonoperating Expenses	(804,802)	-	(804,802)	-
Net Investment Income, Net of Spending Policy	-	(1,274,024)	(1,274,024)	1,288,171
Change in Value of Split-Interest Agreements	-	(35,143)	(35,143)	(24,189)
Net Assets Released from Restrictions	194,978	(194,978)	-	-
Reclassification of Net Assets	(775)	-	(775)	-
Total Nonoperating Activities	(610,599)	(1,501,780)	(2,112,379)	1,269,781
CHANGE IN NET ASSETS	(9,115,765)	(2,269,003)	(11,384,768)	(652,520)
Net Assets - Beginning of Year	16,656,999	39,797,753	56,454,752	57,107,272
NET ASSETS - END OF YEAR	$ 7,541,234	$ 37,528,750	$ 45,069,984	$ 56,454,752

See accompanying Notes to Financial Statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF CASH FLOWS
YEARS ENDED JUNE 30, 2019
(WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2018)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (11,384,768)	$ (652,520)
Adjustment to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	918,856	942,374
Gain on Sale of Land, Buildings, and Equipment	(22,400)	-
Impairment Losses	6,050,000	-
Contributions Restricted for Long-Term Purposes	(2,365)	(5,799)
Net Realized and Unrealized Gain on Investments	(558,252)	(2,776,888)
Change in Value of Split-Interest Agreements	(35,143)	(24,189)
Discount - Future Interest	20,543	4,849
(Increase) Decrease in Assets:		
Accounts Receivable	89,669	33,349
Inventories	32,627	(9,500)
Prepaid Expenses and Other Assets	(4,334)	(1,202)
Contributions Receivable	10,000	477,704
Increase (Decrease) in Liabilities:		
Accounts Payable	155,101	(251,420)
Accrued Expenses	(258,502)	(203,059)
Deposits	67,068	(27,252)
Environmental Remediation Liability	7,561	7,263
Deferred Revenue	(82,487)	(14,488)
Net Cash Used by Operating Activities	(4,996,826)	(2,500,778)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	(1,551,341)	(1,143,246)
Payments for the Acquisition of Land, Buildings, and Equipment	(584,690)	(326,304)
Proceeds from Sales of Investments	7,065,417	8,768,204
Purchase of Investments	(2,251,619)	(3,261,187)
Net Cash Provided by Investing Activities	2,677,767	4,037,467
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(133,010)	(1,502,104)
Proceeds from Sale of Building	3,038,118	-
Proceeds from Redemption of Split-Interest Agreement	23,923	26,760
Contributions Received Restricted for Long-Term Purposes	2,365	5,799
Net Cash Provided (Used) by Financing Activities	2,931,396	(1,469,545)
INCREASE IN CASH AND CASH EQUIVALENTS	612,337	67,144
Cash and Cash Equivalents - Beginning of Year	2,297,105	2,229,961
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 2,909,442	$ 2,297,105
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 95,428	$ 124,727

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Corporation of Marlboro College (the College), a nonprofit corporation, was incorporated in 1947 for the purpose of providing liberal arts education to college students. Since that time, the College has expanded its operation and mission to include graduate and professional programs in management and education.

In order to fully support the College's mission and reach enrollment and retention goals, the President and the Board of Trustees have taken deliberate action to invest in those areas that have an impact on recruitment, retention and fundraising. This action, coupled with declining enrollment and net tuition revenue, has resulted in persistent and significant operating deficits. In light of this, the Administration and Board of Trustees are exploring other options to achieve financial stability. At this time, the preponderance of this effort is directed towards securing a partnership with another institution of higher learning. The primary goals of this effort are to support Marlboro's students and to preserve Marlboro's rigorous academic model.

Basis of Presentation

External financial reporting for nonprofit organizations includes three basic financial statements and the classification of resources into net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations but may be designated for specific purposes by action of the board of trustees or management.

With Donor Restrictions – Net assets whose use by the College is limited by donor-imposed stipulations that either expire by passage of time or that can be fulfilled or removed by actions of the College pursuant to those stipulations. This category includes realized and unrealized gains (losses) on donor restricted endowment funds that have not been appropriated for expenditure by the board of trustees in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA). This category also includes net assets whose corpus is restricted by the donor to be invested in perpetuity whose income may be made available for stipulated purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions or by law. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law. Expirations of net assets with donor restrictions, that is, situations in which the donor imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets with donor restrictions and as net assets released from restrictions. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and are released to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date received. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risk involved. Amortization of the discount is recorded as additional contributions revenue in accordance with the donor imposed restrictions, if any, on the contributions. Contributions of works of art, historical treasures, and similar assets held as part of a collection for education, research, or public exhibition purposes rather than for sale or financial gain are capitalized.

During the years ended June 30, 2019 and 2018, the College received 67% and 63%, respectively, of its contributions from two donors. The College reports contributions of land, buildings, or equipment as net assets without donor restrictions, unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets without donor restrictions, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as net assets with donor restrictions and reclassified to net assets without donor restrictions when the assets are acquired and placed in service.

Dividends, interest, and net gains (losses) on investments of endowments and similar funds are reported as follows:

- as increases (decreases) in net assets with donor restrictions if the terms of the gift or applicable law impose restrictions on the current use of the income or net gains; and
- as increases (decreases) in net assets without donor restrictions in all other cases.

Operating revenues, gains, and other support include interest and dividend income, realized and unrealized gains and losses earned during the fiscal year and, in certain instances, accumulated realized and unrealized gains from previous years, to meet the College's total return spending policy.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Changes in net assets which are excluded from operating income include investment income (loss) greater (less) than amounts distributed pursuant to the College's spending policy, changes in value of split-interest agreements, contributions which are restricted by the donor in perpetuity or which are donor-restricted to be used for the purposes of acquiring long-term assets, and the release thereof when the College has complied with the donor restrictions.

The financial statements include 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Cash and Cash Equivalents

The College considers all highly liquid investments purchased with an original maturity date of three months or less to be cash equivalents. The College maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant risk on cash and cash equivalents.

Cash Restricted for Long-Term Purposes

The College includes restricted contributions received that have not been invested in investments or investment in limited partnerships in cash restricted for long-term purposes.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The College provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the College has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Recoveries of receivables previously written off are recorded when received. All accounts receivable are unsecured.

A receivable is considered to be past due if the receivable balance is outstanding for over 120 days. No interest is charged on past due receivables.

Inventories

Inventories, which consist primarily of fuel inventory and bookstore inventory, are carried at the lower of cost (average cost) or net realizable value. Cost is determined by the first-in, first-out method.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments are carried at fair value. Fair values are based on quoted market prices, if available, or estimated using quoted market prices for similar securities. Fair value for alternative investments for which there is no readily determinable fair market value are determined by the fund's net asset value or equivalent.

Split-Interest Agreements

The College's split-interest agreements with donors consist of pooled life-income funds. Changes in the value of split-interest agreements are recorded as change in value of split-interest agreements in the statements of activities.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at construction or acquisition cost except gifts in-kind, which are recorded at their estimated fair value at the date of the gift. The costs of repairs and maintenance are charged to expense as incurred; major renewals and betterments are capitalized in accordance with the College's capitalization police. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, as disclosed in Note 10.

When plant and equipment are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities at the date of disposition.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment and intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If this review reveals an indicator of impairment, as determined based on estimated undiscounted cash flows, the carrying amounts of the related long-lived assets are adjusted to fair value. There was an adjustment made for the carrying value of its long-lived assets as of June 30, 2019.

Assets Held for Sale

During 2018 the Board of Trustees approved the sale of a building located in Brattleboro, Vermont used primary as office space for unrelated tenants. During 2018, the College determined the building met the criterion to be classified as an asset held for sale on the statements of financial position. No impairment charge has been reflected in the statements of activities based on this classification. The building was sold in August, 2018 for approximately $3,000,000 with the net proceeds used for general operations of the College.

Accrued Sabbatical Leave

The College accrues the cost of the employees' sabbatical leave over the employees' requisite service period. The sabbatical leave liability accrued as of June 30, 2019 and 2018 was $198,758 and $305,720, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Deferred Revenue

The College receives payments for certain summer programs and fall registration fees prior to June 30 of each year. In order to properly match revenues and expenditures, such payments are credited to student deposits at June 30. The revenue will be recognized in the fiscal year when the programs are conducted.

Tax Status

The College is a nonprofit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the IRC.

The College has adopted a policy that clarified the accounting for uncertainty in income taxes recognized in an organization's financial statements. The policy prescribes a recognition threshold and measurement principles for the financial statement recognition and measurement of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this policy had no material impact on the College's financial statements. The College files as a tax exempt organization.

Use of Estimates

The presentation 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. These costs include direct and indirect costs that have been allocated, on a consistent basis, among the program and supporting services benefited. All functional expense categories, with exception of institutional support, can be classified as expenses supporting the College's main program. Institutional support expenses are considered administrative expenses and include fundraising expenses (Note 15).

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is reasonably possible that changes in value in the near term would materially affect the amounts reported in the statement of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

The College has adopted the accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which changes presentation and disclosure requirements for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, expenses, and liquidity. Adoption of the new standard had no effect on the previously reported total change in net assets or net assets balance.

New Accounting Pronouncements Effective in Future Accounting Period

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The standard will be effective for the organization for annual reporting periods beginning after December 15, 2018,

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This update increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019.

In June 2018, FASB issued an ASU 2018-08 *Not-For-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides guidance on distinguishing between contributions and exchange transactions. If a contribution is unconditional, the entity must determine whether it is donor restricted for limited purpose or timing. These contributions should be recognized immediately and classified as net assets with or without donor restrictions. If a contribution is conditional and net assets are received in advance, the entity should record a liability and not recognize revenue until conditions are met. Guidance is further provided regarding reciprocal and nonreciprocal transactions. If both parties receive similar value, the transaction is considered reciprocal. The standard will be effective for the College for annual reporting periods beginning after December 15, 2018.

Management is evaluating the impact of these new standards on the College’s financial statements.

NOTE 2 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30:

	2019		2018	
	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity	Net Assets Not Invested in Perpetuity	Net Assets Invested in Perpetuity
Purpose Restrictions:				
Instruction	$ 685,866	$14,983,814	$ 994,582	$14,983,459
Student Aid	3,643,486	7,112,855	1,015,022	7,110,249
Building and Equipment	495,411	-	493,643	-
Other Purpose Restrictions	1,248,320	8,967,888	5,796,622	8,967,887
Total Purpose Restrictions	6,073,083	31,064,557	8,299,869	31,061,595
Time Restrictions:				
Life Income Fund	391,110	-	426,289	-
Contributions Receivable, Net	-	-	10,000	-
Total Time Restrictions	391,110	-	436,289	-
Total Net Assets With Donor Restrictions	$ 6,464,193	$31,064,557	$ 8,736,158	$31,061,595

NOTE 3 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of events specified by the donors are as follows for the years ended June 30:

	2019	2018
Operating Purpose Restrictions:		
Instruction	$ 417,086	$ 513,560
Student Aid	207,949	231,767
Other	2,434,304	3,945,242
Subtotal	3,059,339	4,690,569
Time Restrictions	-	25,000
Total Net Assets with Donor Restrictions	$ 3,059,339	$ 4,715,569
Nonoperating Purpose Restriction - Plant	$ 194,978	$ 20,904

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30:

	2019	2018
Without Donor Restrictions	$ 325,602	$ 224,036
Cash Held as Collateral (Note 12)	-	-
Repairs and Replacement Reserve (Note 12)	181,000	181,000
With Donor Restrictions - Purpose	2,402,840	1,892,069
Total	$ 2,909,442	$ 2,297,105

NOTE 5 CONTRIBUTIONS RECEIVABLE

Contributions receivable contain with and without donor restricted amounts. Total contributes receivable consist of the following at June 30:

	2019	2018
Unconditional Promises Expected to be Collected in:		
Less than One Year	$ -	$ 10,000
Total	$ -	$ 10,000

NOTE 6 ACCOUNTS RECEIVABLE

The following summarizes the aging of past due student accounts receivable for the years ended June 30:

	2019	2018
120 Days Past Due	$ 53,472	$ 98,509
Total Past Due	$ 53,472	$ 98,509

The following summarizes the sources of changes to the allowance for doubtful accounts on the student accounts receivable for the years ended June 30:

	2019	2018
Allowance for Doubtful Accounts - Beginning of Year	$ 32,323	$ 33,593
Bad Debt Collections (Write-Offs)	(16,950)	(39,270)
Bad Debt Expense	18,000	38,000
Allowance for Doubtful Accounts - End of Year	$ 33,373	$ 32,323

NOTE 7 INVESTMENTS

Investment income (loss) from investments consists of the following for the years ended June 30:

	2019	2018
Interest and Dividends	$ 7,728	$ 5,931
Unrealized and Realized Gains (Losses)	40,770	(58,700)
Less: Investment Management Fees	-	(9,494)
Net Investment Gains (Losses)	$ 48,498	$ (62,263)

NOTE 8 INVESTMENT

Investments are carried at the College's proportional share of the fair value of the net asset value of the total fund. The balance of alternative investments at June 30, 2019 and 2018 was $29,443,772 and $33,684,929, respectively. Investment income (loss) from alternative investments for the years ended June 30 consists of the following:

	2019	2018
Interest and Dividends	$ 213,354	$ 1,161,972
Unrealized and Realized Gains	517,482	2,835,588
Less: Investment Management Fees	(207,402)	(367,126)
Net Investment Gains	$ 523,434	$ 3,630,434

NOTE 9 INTEREST IN SPLIT-INTEREST AGREEMENTS

For split-interest agreements where the College holds the assets, the liability to income beneficiaries is discounted based on the donors' life expectancy at the end of each fiscal year using a discount rate commensurate with the risk involved at the date of the initial gifts. The discount is included in discount for future interest in the statements of financial position.

	2019	2018
With Donor Restrictions Primarily for General Operations Pooled Life-Income Funds:		
Short-Term Investments	$ 25,216	$ 14,436
Common Stock	268,124	272,660
U.S. Government Bonds	229,644	224,668
Total Interest in Split-Interest Agreements	$ 522,984	$ 511,764

NOTE 10 LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of the College's land, buildings, and equipment at June 30:

	Estimated Useful Lives	2019	2018
Land and Other Nondepreciable Assets	-	$ 974,541	$ 1,491,384
Artwork	-	280,307	312,283
Campus Grounds	15 to 40 Years	2,461,934	3,767,608
Buildings and Building Improvements	15 to 40 Years	15,420,480	23,382,281
Furniture, Fixtures, and Equipment	3 to 10 Years	2,983,389	3,542,612
Library Books	7 Years	542,750	791,963
Vehicles	5 Years	484,516	469,713
Total		23,147,917	33,757,844
Less: Accumulated Depreciation		(11,189,349)	(15,400,721)
Net Land, Buildings, and Equipment		$ 11,958,568	$ 18,357,123

Depreciation expense charged to operations was $918,856 and $942,374 for the years ended June 30, 2019 and 2018, respectively.

The College reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less the costs to sell. In 2019 the College evaluated the long lived assets on campus for impairment and determined that fair market value was lower than its net book value. As a result, an impairment charge of approximately $6,000,000 has been recognized in the financials for the year ended June 30, 2019.

NOTE 11 LONG-TERM DEBT OBLIGATIONS

The following is a summary of the College's long-term debt obligations at June 30:

Description	2019	2018
$109,821 Vermont Economic Development Authority term note with interest payable at a rate of 4.25%; interest and principal payable in monthly installments of $4,781 commencing May 15, 2017 through maturity on April 15, 2019.	$ -	$ 46,893
$3,000,000 U.S. Department of Agriculture Rural Development (RD) Mortgage. Interest due annually on January 11, 2008 and 2009 first two years only. Principal and interest at an annual rate of 4.125% due monthly commencing February 11, 2009 on a 30-year amortization schedule; collateralized by the tangible personal property and fixtures of the College.	2,255,205	2,341,322
Total	$ 2,255,205	$ 2,388,215

Schedule of maturities of long-term debt outstanding are as follows:

Year Ending June 30,	Amount
2020	$ 89,737
2021	93,509
2022	97,440
2023	101,537
2024	105,805
Thereafter	1,767,177
Total	$ 2,255,205

The College is required to maintain a reserve account in conjunction with the RD mortgage, which shall be used for repairs or replacements for any damages that are not covered by insurance, improvements to the facility that have been approved by the RD, or to fund any short-falls in the debt service account when the principal and interest is due. The College shall transfer $1,509 per month until there is an accumulated sum of $181,080, after which no further transfers need to be made except to replace withdrawals. At June 30, 2019, the balance in this reserve account was approximately $181,000, which is included in cash and cash equivalents in the statement of financial position. Insurance coverage over fire, public liability, vehicular public liability, workers' compensation, medical malpractice, and builder's risk insurance must be maintained throughout the term of the mortgage. At June 30, 2019, management believes that the College is in compliance with all covenant requirements.

NOTE 11 LONG-TERM DEBT OBLIGATIONS (CONTINUED)

Interest Expense

Interest expense was $95,428 and $124,727 for the years ended June 30, 2019 and 2018, respectively.

Line of Credit

The College had a line of credit available in the amount of $500,000 which was terminated on May, 2019 and not renewed. The College at no point drew on this line of credit.

At June 30, 2019 and 2018, there were no amounts outstanding under the line of credit agreement.

NOTE 12 FACULTY TERMINATION AGREEMENT

In June 1990, the College entered into an agreement with its existing faculty whereby each faculty member would be paid an additional two months' salary at the then existing salary rate upon termination of employment with the College. Included in accrued expenses at June 30, 2019 and 2018 was $25,828 and $23,215, respectively, related to this agreement.

NOTE 13 RETIREMENT PLAN

The College participates in retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA). Substantially all full-time employees are eligible to participate in the Plans. Participation in the Plan is voluntary. Eligible participants are permitted to elect to have a percentage or dollar amount, limited by Plan provisions, of their compensation contributed as pre-tax 403(b) contributions to the Plan. The Employer makes a matching contribution for eligible employees at a rate of 100% of deferral contributions up to a maximum of 5% of eligible total compensation. Effective July 1, 2017, the employer matching contribution was changed to a rate of 100% of deferral contributions up to a maximum of 4% of eligible total compensation. The College's contribution to retirement plans for the years ended June 30, 2019 and 2018 was $146,414 and $138,875, respectively.

The College adopted a defined contribution retiree healthcare plan effective July 1, 2007. All employees who have attained the age of 40 and have completed one year of service are eligible. The College contributes $20.65 monthly to those eligible during their employment, as defined, and employees may make additional voluntary contributions. The College's contributions to the retiree healthcare plan for the years ended June 30, 2019 and 2018 were $7,159 and $13,898, respectively.

NOTE 14 FUNCTIONAL EXPENSES

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The College reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS).

	2019								
	Instruction	Public Support	Academic Support and Research	Student Services	Institutional Support	Institutional Advancement	Auxiliary Enterprises	Total	Total June 30, 2018
Salaries	$ 2,695,198	$ 175,159	$ 517,501	$ 1,228,284	$ 1,499,658	$ 304,350	$ 151,068	$ 6,571,218	$ 6,246,105
Benefits	550,112	12,009	145,058	324,425	435,294	20,748	183,954	1,671,600	1,397,034
Professional Fees and Utilities	262,285	227,726	139,341	373,139	434,472	14,459	317,496	1,768,918	1,852,955
Supplies	91,897	6,511	26,855	185,208	64,856	71,382	42,007	488,716	376,047
Equipment and Furniture Expense	15,559	-	2,969	6,637	10,177	-	23,558	58,900	55,700
Travel and Conference	54,672	19,729	48,859	193,787	47,153	4,288	5,933	374,421	323,325
Bookstore and Dining Hall Expenses	-	-	-	-	-	-	748,742	748,742	643,616
Repairs and Maintenance	65,600	17,514	21,818	30,360	58,333	-	80,916	274,541	244,075
Depreciation, Amortization, and Interest	318,203	-	100,550	153,379	294,700	-	155,014	1,021,846	909,809
Miscellaneous	158,626	105,435	71,570	296,249	282,362	-	2,362	916,604	1,520,692
Total	$ 4,212,152	$ 564,083	$ 1,074,521	$ 2,791,468	$ 3,127,005	$ 415,227	$ 1,711,050	$ 13,895,506	$ 13,569,358

NOTE 15 ENDOWMENT

The College's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The College has interpreted the State of Vermont Prudent Management of Institutional Funds Act (the Act), which became effective May 5, 2009, as requiring the preservation of the contributed value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as donor restricted net assets (1) the original value of gifts donated to the endowment that are held in perpetuity, (2) the original value of subsequent gifts held in perpetuity, and (3) accumulations to the amount held in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. If the donor-restricted endowment assets earn investment returns beyond these amounts that excess is available for appropriation and, therefore, classified as net assets with donor restrictions until appropriated by the Board for expenditure. Funds designated by the Board of Trustees to function as endowments are classified as net assets without donor restrictions.

In accordance with the Act, the College considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

NOTE 15 ENDOWMENT (CONTINUED)

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the organization
7. The investment policies of the organization

Endowment Composition and Changes in Endowment

The endowment net asset composition by type of fund as of June 30 is as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted			
Endowment Funds	$ -	$35,733,063	$35,733,063
Total	$ -	$35,733,063	$35,733,063

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted			
Endowment Funds	$ -	$37,619,624	$37,619,624
Total	$ -	$37,619,624	$37,619,624

The changes in endowment net assets for the fiscal years ended June 30 are as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets -			
June 30, 2018	$ -	$37,619,624	$37,619,624
Investment Gain:			
Investment Income	-	213,334	213,334
Net Appreciation	-	357,779	357,779
Total Investment Gain	-	571,113	571,113
Contributions	-	2,365	2,365
Appropriation of Endowment			
Assets for Expenditures	-	(2,460,039)	(2,460,039)
Endowment Net Assets -			
June 30, 2019	$ -	$35,733,063	$35,733,063

NOTE 15 ENDOWMENT (CONTINUED)

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets - June 30, 2017	$ -	$37,343,600	$37,343,600
Investment Gain:			
Investment Income	-	1,167,837	1,167,837
Net Appreciation	-	2,400,334	2,400,334
Total Investment Gain	-	3,568,171	3,568,171
Contributions	-	5,799	5,799
Appropriation of Endowment Assets for Expenditures	-	(3,297,946)	(3,297,946)
Endowment Net Assets - June 30, 2018	$ -	$37,619,624	$37,619,624

The endowment net assets with donor restrictions includes net appreciation of $4,668,506 and $6,558,029 as of June 30, 2019 and 2018, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the College to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions were $-0- as of June 30, 2019 and 2018.

Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a sustainable and consistent level of support for the College's operating budget, while preserving the inflation-adjusted value of the principal of the endowment fund. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed or meet designated benchmarks while incurring a reasonable and prudent level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE 15 ENDOWMENT (CONTINUED)

Spending Policy

The College has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. For the fiscal years ended June 30, 2019 and 2018, the Board approved appropriations of 5.75%. In 2019, the Board approved additional spending on the donor-restricted portion of the endowment up to 8.5%. The actual spending over the approved 5.75% for donor-restricted endowment was approximately $614,039. In 2018, the Board approved additional spending on the donor-restricted portion of the endowment up to 8.5%. The actual spending over the approved 5.75% for donor-restricted endowment was approximately $1,017,946. For both 2019 and 2018, the additional spend on the endowment was for strategic initiatives and to support operations. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the inflation-adjusted value of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 16 LEASES

The College was the lessor of office space in an office building located in Brattleboro, Vermont, expiring in various years through 2021. However, the College sold this office building in August, 2018.

Rental income from these leases was $55,320 and $586,181 for the years ended June 30, 2019 and 2018, respectively.

On January 22, 2019, the College and the Marlboro School of Music, Inc., amended the existing lease between the two parties. The amendment extended the lease to 99 years from the date of execution. In addition, the lease committed the Marlboro School of Music, Inc., to design and construct two new buildings on the College's campus. Upon completion, ownership of the buildings will transfer to the College in exchange for a $1,500,000 note, payable in annual installments over a 40-year term.

NOTE 17 FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures,* defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements.

NOTE 17 FAIR VALUE MEASUREMENTS (CONTINUED)

FASB ASC 820-10-20 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC 820-10-20 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 — Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3 — Significant unobservable inputs that reflect the College's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

Assets measured at fair value on a recurring basis are summarized below at June 30:

	2019				
	Total	Level 1	Level 2	Level 3	Measured at NAV
Investments - Alternative	$ 29,443,772	$ -	$ -	$ -	$ 29,443,772
Interest in Split-Interest Agreements:					
Short-Term Investments	25,216	25,216	-	-	-
Common Stocks	268,124	268,124	-	-	-
U.S. Government and Corporate Bonds	229,644	229,644	-	-	-
Total Interest in Split-Interest Agreements	522,984	522,984	-	-	-
Total	$ 29,966,756	$ 522,984	$ -	$ -	$ 29,443,772

	2018				
	Total	Level 1	Level 2	Level 3	Measured at NAV
Investments - Alternative	$ 33,684,929	$ -	$ -	$ -	$ 33,684,929
Interest in Split-Interest Agreements:					
Short-Term Investments	14,416	14,416	-	-	-
Common Stocks	272,660	272,660	-	-	-
U.S. Government and Corporate Bonds	224,688	224,688	-	-	-
Total Interest in Split-Interest Agreements	511,764	511,764	-	-	-
Total	$ 34,196,693	$ 511,764	$ -	$ -	$ 33,684,929

NOTE 17 FAIR VALUE MEASUREMENTS (CONTINUED)

Short-term investments, common stock, mutual funds, and U.S. government and corporate bonds are classified as Level 1 of the fair value hierarchy because their fair values are based on quoted prices for identical securities. The remaining investments of the College are considered alternative and do not have readily determinable fair values. Investments that do not have readily determinable fair values are valued using the investments net asset value as the practical expedient. The College summarizes alternative investments by significant investment category consisting of (1) U.S. equities, (2) non-U.S. equities, (3) marketable alternatives (liquid securities that usually cannot be exited within 30 days), (4) real assets (real estate, energy, and natural resources), (5) opportunistic funds (underlying securities generally do not trade on public markets), and (6) private equity funds. Generally funds are invested in partnerships or equivalent. See note 15 for additional information on the College's investment strategies.

Assets measured at fair value on a nonrecurring basis are summarized below at June 30:

	2019				
	Total	Level 1	Level 2	Level 3	Measured at NAV
Land, Building, and Equipment	$ -	$ -	$ -	$ 11,407,669	$ -

	Land, Building, and Equipment
Fair Value June 30, 2018	$ 21,010,123
Acquisition	272,623
Dispositions	(3,038,118)
Depreciation	(786,959)
Impairment Expense	(6,050,000)
Fair Value June 30, 2019	$ 11,407,669

The following presents the College's net asset values and liquidity for significant investment category considered to be alternative as of June 30:

	2019						
	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	Days Notice
Investments - Alternative:							
U.S. Equities	$ 2,206,928	$ -	$ -	$ 2,206,928	$ -	$ -	45 Days
Non-U.S. Equities	7,921,593	1,524,273	-	4,557,154	1,840,166	-	6 - 90 Days
Marketable Alternatives	3,451,045	-	-	1,332,808	2,118,237	-	60 - 90 Days
Real Assets	386,970	-	-	-	-	386,970	Annual/Illiquid
Opportunistic	6,792,215	-	-	3,805,179	-	2,987,036	90 Days/Illiquid
Private Equity Funds	8,685,021	-	-	-	-	8,685,021	Illiquid
Total	$ 29,443,772	$ 1,524,273	$ -	$ 11,902,069	$ 3,958,403	$ 12,059,027	

NOTE 17 FAIR VALUE MEASUREMENTS (CONTINUED)

	2018						
	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	Days Notice
Investments - Alternative:							
U.S. Equities	$ 2,664,352	$ -	$ -	$ 2,664,352	$ -	$ -	45 Days
Non-U.S. Equities	11,013,304	1,483,503	2,491,027	5,175,539	-	1,863,235	6 - 90 Days
Marketable Alternatives	4,543,080	-	-	-	1,888,106	2,654,974	60 - 90 Days
Real Assets	436,474	-	-	-	-	436,474	Annual/Illiquid
Opportunistic	7,035,776	-	-	3,694,312	-	3,341,464	90 Days/Illiquid
Private Equity Funds	7,991,943	-	-	-	-	7,991,943	Illiquid
Total	$ 33,684,929	$ 1,483,503	$ 2,491,027	$ 11,534,203	$ 1,888,106	$ 16,288,090	

At June 30, 2019, the College's outstanding commitments to certain alternative investments total $792,417. The following is a summary of capital commitments by investment category as of June 30, 2019:

	Unfunded Commitments
Investments - Alternative:	
Real Assets	$ 136,661
Opportunistic	37,180
Private Equity Funds	618,576
Total Unfunded Commitments	$ 792,417

NOTE 18 ENVIRONMENTAL REMEDIATION LIABILITIES

During the fiscal year ended June 30, 2011, the College recognized its legal obligation to remove asbestos from its premises. As a result, the Organization has reflected an undiscounted estimated liability of $190,882 and $183,321 for the cost of removing the asbestos as of June 30, 2019 and 2018, respectively. It is reasonably possible that the amount of the estimated liability could change in the near term. The date of removal is undetermined as of June 30, 2019.

NOTE 19 LIQUIDITY AND AVAILABLE RESOURCES

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The College has various sources of liquidity at its disposal, including cash and cash equivalents, cash restricted for long-term purposes and its investment portfolio which is subject to some liquidity limitations.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the College considers all expenditures related to its ongoing activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

As of June 30, 2019 and 2018, the following tables show the total liquid financial assets held by the College and the amounts of those financial assets that could readily be made available within one year of the statement of financial position date to meet general expenditures:

	2019	2018
Financial Assets:		
Cash and Cash Equivalents	$ 2,909,442	$ 2,297,105
Cash Restricted for Long-Term Purposes	3,772,688	2,221,347
Accounts and Notes Receivable	142,781	232,450
Contributions Receivable	-	10,000
Investments Convertible to Cash in the Next 12 Months	17,384,745	17,396,839
Total	$ 24,209,656	$ 22,157,741
Financial Assets Available to Meet General Expenditures:		
Cash and Cash Equivalents	$ 2,909,442	$ 2,297,105
Accounts and Notes Receivable	142,781	232,450
Current Portion of Contributions Receivable	-	10,000
Appropriated Earnings from Donor Restricted Endowment	1,960,000	1,845,956
Total	$ 5,012,223	$ 4,385,511

NOTE 20 SUBSEQUENT EVENTS

We consider events or transactions that occur after the statement of financial position date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 24, 2019 and subsequent events have been evaluated through that date.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF FINANCIAL POSITION
FEBRUARY 29, 2020
(WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2019)

UNAUDITED

	2/29/2020	2019
ASSETS		
Cash and Cash Equivalents	$ 418,526	$ 2,909,442
Cash Restricted for Long-Term Purposes	8,790,651	3,772,688
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of $32,323 in 2018 and $33,593 in 2017	241,202	142,781
Inventories	66,690	69,696
Prepaid Expenses and Other Assets	64,719	86,086
Investments - Alternative	22,966,267	29,443,772
Interest in Split-Interest Agreements	534,993	522,984
Land, Buildings, and Equipment, Net	11,596,748	11,958,568
Total Assets	$ 44,679,796	$ 48,906,017
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 184,883	$ 400,070
Accrued Expenses	402,685	481,708
Deposits	73,364	193,828
Deferred Revenue	983,328	251,429
Discount for Future Interest	62,911	62,911
Environmental Remediation Liability	190,882	190,882
Long-Term Debt Obligations	2,195,766	2,255,205
Total Liabilities	4,093,819	3,836,033
NET ASSETS		
Net Assets without Donor Restrictions	22,573,885	7,541,234
Net Assets with Donor Restrictions	18,012,092	37,528,750
Total Net Assets	40,585,977	45,069,984
Total Liabilities and Net Assets	$ 44,679,796	$ 48,906,017

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
PERIOD ENDED FEBRUARY 29, 2020
(WITH COMPARATIVE INFORMATION FOR THE PERIOD ENDED JUNE 30, 2019)

UNAUDITED

	February 29, 2020			
	Without Donor Restrictions	With Donor Restrictions	Total February 29, 2020	Total June 30, 2019
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	$ 3,283,136	$ -	$ 3,283,136	$ 6,895,162
Less: Scholarships	(2,117,655)	-	(2,117,655)	(4,914,461)
Net Tuition and Fees	1,165,482	-	1,165,482	1,980,701
Federal Aid to Students	44,400	-	44,400	74,400
Public Support	146,799	16,000	162,799	298,219
Contributions	865,274	216,225	1,081,499	4,608,996
Interest Income from Cash and Cash Equivalents	-	-	-	-
Investment Income Available for Operations	4,182,214	417,786	4,600,000	1,845,956
Sales and Services of Auxiliary Enterprises	1,055,228	-	1,055,228	1,367,466
Rental Income	294,798	-	294,798	392,422
Gain on Sale of Contributed Securities	(16)	-	(16)	17,325
Other Sources	72,310	-	72,310	87,632
Net Assets Released from Restrictions	775,260	(775,260)	-	-
Total Revenues, Gains, and Other Support	8,601,748	(125,249)	8,476,499	10,673,117
OPERATING EXPENSES				
Instruction	2,515,952	-	2,515,952	4,212,152
Public Support	341,148	-	341,148	564,083
Academic Support	786,222	-	786,222	1,074,521
Student Services	1,717,245	-	1,717,245	2,791,468
Institutional Support	2,293,232	-	2,293,232	3,542,232
Auxiliary Enterprises	1,087,993	-	1,087,993	1,711,050
Total Operating Expenses	8,741,792	-	8,741,792	13,895,506
CHANGE IN NET ASSETS FROM OPERATIONS BEFORE IMPAIRMENT	(140,044)	(125,249)	(265,293)	(3,222,389)
Impairment Expense	-	-	-	(6,050,000)
CHANGE IN NET ASSETS FROM OPERATIONS	(140,044)	(125,249)	(265,293)	(9,272,389)
NONOPERATING ACTIVITIES				
Contributions	-	393	393	2,365
Non-operating expenses	(260,073)	-	(260,073)	(804,802)
Net Investment Income, Net of Spending Policy	(3,836,642)	(120,820)	(3,957,462)	(1,274,024)
Change in Value of Split-Interest Agreements	-	(1,573)	(1,573)	(35,143)
Net Assets Released from Restrictions	51,320	(51,320)	-	-
Reclassification of Net Assets	19,218,090	(19,218,090)	-	(775)
Total Nonoperating Activities	15,172,695	(19,391,410)	(4,218,714)	(2,112,379)
CHANGE IN NET ASSETS	15,032,651	(19,516,658)	(4,484,007)	(11,384,768)
Net Assets - Beginning of Year	7,541,234	37,528,750	45,069,984	56,454,752
NET ASSETS - END OF PERIOD	$ 22,573,885	$ 18,012,092	$ 40,585,977	$ 45,069,984

CORPORATION OF MARLBORO COLLEGE **UNAUDITED**

STATEMENT OF CASH FLOWS

PERIOD ENDED FEBRUARY 29, 2020

(WITH COMPARATIVE SUMMARIZED INFORMATION FOR THE PERIOD ENDED JUNE 20, 2019)

	To 2/29/2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (4,484,007)	$ (11,384,768)
Adjustment to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
Depreciation	610,000	918,856
Gain on Sale of Land, Buildings, and Equipment	-	(22,400)
Impairment Losses	-	6,050,000
Contributions Restricted for Long-Term Purposes	(393)	(2,365)
Net Realized and Unrealized Gain on Investments	(533,038)	(558,252)
Change in Value of Split-Interest Agreements	(12,010)	(35,143)
Discount - Future Interest	-	20,543
(Increase) Decrease in Assets:		
Accounts Receivable	(98,421)	89,669
Inventories	3,006	32,627
Prepaid Expenses and Other Assets	21,367	(4,334)
Contributions Receivable	-	10,000
Increase (Decrease) in Liabilities:		
Accounts Payable	(215,187)	155,101
Accrued Expenses	(79,023)	(258,502)
Deposits	(120,464)	67,068
Environmental Remediation Liability	-	7,561
Deferred Revenue	731,899	(82,487)
Net Cash Used by Operating Activities	(4,176,271)	(4,996,826)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	(5,017,963)	(1,551,341)
Payments for the Acquisition of Land, Buildings, and Equipment	(248,180)	(584,690)
Proceeds from Sales of Investments	6,958,626	7,065,417
Purchase of Investments	51,918	(2,251,619)
Net Cash Provided by Investing Activities	1,744,401	2,677,767
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(59,439)	(133,010)
Sale of Buildings	-	3,038,118
Proceeds from Redemption of Split-Interest Agreement	-	23,923
Contributions Received Restricted for Long-Term Purposes	393	2,365
Net Cash Provided (Used) by Financing Activities	(59,046)	2,931,396
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,490,916)	612,337
Cash and Cash Equivalents - Beginning of Year	2,909,442	2,297,105
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 418,526	$ 2,909,442
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 61,307	$ 95,428

Marlboro College

Office of the President

December 6, 2019

Vermont State Board of Education
Via e-mail to Emily.Simmons@vermont.gov

Re: Custody of Student Academic Records from Marlboro College

To the Vermont State Board of Education:

Marlboro College (MARLBORO) has reached an agreement with Emerson College (EMERSON) through which EMERSON will take custody of student academic records (i.e., student transcripts) from MARLBORO upon implementation of MARLBORO's alliance with EMERSON at the end of the 2019-20 academic year. Through this letter, MARLBORO requests respectfully that the Board designate EMERSON to act as the permanent repository of such records.

As part of this agreement, MARLBORO will provide EMERSON with all MARLBORO student transcripts electronically in a machine-readable and searchable format (searchable PDF) on two separate portable hard drives, one to serve as permanent master and backup. These records will be completed, certified, and delivered by 6/30/2020 with the possibility of up to ten students who might need additional time to complete requirements. Those records would be forwarded to Emerson no later than 9/1/2020. MARLBORO will also provide EMERSON with paper copies of transcripts through 1948 to serve as backup along with a historic archive of MARLBORO's academic catalogs. In addition, as required by law we will provide the most recent seven years-worth of physical files.

In addition, MARLBORO will provide EMERSON with all records required by the Veterans' Administration to be retained for three years after each veteran's enrollment electronically in a machine-readable and searchable format. These records will be limited to those related to veteran students who were enrolled at MARLBORO during the preceding three-year period.

EMERSON has agreed to accept custody of the above-referenced student records in compliance with all applicable state and federal regulations and laws and accreditation policies and will maintain such records in perpetuity. EMERSON will make MARLBORO student transcripts available according to established EMERSON transcript-request policies as may be revised from time to time, and will permanently indicate on the website of the EMERSON Registrar the availability of MARLBORO student transcripts. EMERSON will also maintain physical backup copies of MARLBORO transcripts through 1948 for a period of not less than ten (10) years from the date of transfer, and will cooperate with accreditors, state regulators, and other appropriate parties in the maintenance of MARLBORO student records and notification of their custody.

As part of the process of planning for the College's alliance with EMERSON, MARLBORO's administration took great care in determining the best possible alliance partner and the optimum custodian for its student academic records.

EMERSON is an ideal partner in this endeavor because of its shared values, the numerous shared relationships between the institutions, and the EMERSON administration's willingness to work closely with MARLBORO to ensure a smooth transfer of these critical records and their maintenance in perpetuity.

As a well-respected institution with net assets more than ten times MARLBORO's, EMERSON promises financial stability that ensures durable access to these records for former MARLBORO students.

MARLBORO will ensure that an announcement concerning this agreement is made on all College social media accounts, and will direct former students to EMERSON on the MARLBORO institutional website for as long as it endures. MARLBORO will also ensure that the appropriate state agencies in Vermont are apprised of the agreement to ensure that they can guide former students appropriately. Finally, as noted above, EMERSON agrees to publicize the ongoing availability of MARLBORO student records on its institutional website as well.

Please let me know if I can provide any additional information to support this request.

Thank you very much for your assistance with this important request.

Sincerely,

Kevin F. F. Quigley
President

Wednesday, December 18, 2019
Green Mountain Technology & Career Center (GMTCC)
Community Education Center
738 VT Route 15 West
Hyde Park, VT 05655

		AGENDA	
8:30 a.m.	A	Call to Order Roll Call and Introductions Amendments to the Agenda	
8:40 a.m.	B	Welcome • Catherine Gallagher, Lamoille North SU Superintendent • Erik Remmers, GMTCC Director	
8:55 a.m.	C	Consent Agenda Board Announcements Student Report	DISCUSS/VOTE
9:10 a.m.	D	Chair's Report	DISCUSS
9:20 a.m.	E	Secretary's Report	DISCUSS
9:35 a.m.	F	Public to be Heard	
9:50 a.m.		**BREAK**	
10:05 a.m.	G	Act 173 • Stakeholder feedback • Discussion – next steps	DISCUSS/VOTE
11:05 a.m.	H	New England School for Girls - amendment	DISCUSS/VOTE
11:35 a.m.	I	Overview of Act 77 and Related Regulations pertaining to Proficiency-Based Learning (PBL)	DISCUSS
12:30 p.m.		**LUNCH**	
1:30 p.m.	J	State Board Work Session • Report to the General Assembly • Board norms and guidelines • January 2020 meeting inquiry topic	DISCUSS/VOTE DISCUSS/VOTE DISCUSS
3:00 p.m.		Adjourn	
	K	State Board of Education - Expenditure Report FY20	DISTRIBUTED

Wednesday, December 18, 2019
Green Mountain Technology & Career Center (GMTCC)
Community Education Center
738 VT Route 15 West
Hyde Park, VT 05655

<u>December 18, 2019</u>

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If you have questions about this agenda, please notify
Maureen.Gaidys@vermont.gov **802-828-0047**

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Item C – Consent Agenda

1. Minutes – November 20, 2019 Meeting
2. Caledonia Central SU – 16 V.S.A. § 261 waiver request
3. Postsecondary Closing, Student Academic Records - 16 V.S.A. § 175 – Marlboro College

The current month's meeting agenda and packet materials may be accessed electronically.
Limited copies will be available at the meeting.

VERMONT
STATE BOARD OF EDUCATION

1 National Life Drive, Davis 5, Montpelier, VT 05620-2501
(p) 802-828-1130 | (f) 802-828-6430 | education.vermont.gov

State Board of Education

Approved Meeting Minutes

Meeting Place: Green Mountain Technology & Career Center
Address: 738 VT Route 15, Hyde Park, VT 05655
Date: December 18, 2019

Present:

State Board Members: John Carroll, Chair; Jenna O'Farrell, Vice Chair; Peter Peltz, William Mathis, Kimberly Gleason, Daniel French, Sabina Brochu.

Agency of Education (AOE): Emily Simmons, Maureen Gaidys

Others: Mark Tucker, Superintendent, CCSU; Laura Soffo, VPI; Mill Moore, VISA; Jay Nichols, VPA; Jeff Francis, VSA; Marilyn Mahusky, Act 173 Advisory Group Vice Chair; Meagan Roy, Act 173 Advisory Group Chair; Chelsea Myers, VSA and P. Sharand, Barre City.

Call to Order/Roll Call/Introductions/Amendments to Agenda

Chair Carroll called the meeting to order at 8:40 a.m. He advised that Mathis would be coming, Lavoie might be coming, he had not heard from Courtois, Olsen was out of town and O'Keefe was busy with budget deadlines. He said there was a quorum. Chair Carroll said that item J, (the topic of reporting to the General Assembly) was completed with suggested changes from members. He also said that there would be no discussion at this meeting on Board norms and guidance, as preparing for the January meeting has been a demanding project and takes priority.

Welcome from Catherine Gallagher and Erik Remmers

Chair Carroll invited Catherine Gallagher, Lamoille North Supervisory Union superintendent and Erik Remmers, Green Mountain Technology and Career Center Director, to introduce themselves and address the group. Chair Carroll thanked them both for hosting.

Gallagher spoke about standing for equity, access and opportunity and how that serves as the framework for everything including board meetings, student conferences, faculty meetings and community outreach. She spoke about how everyone is an educator. Gallagher spoke about Act 46, proficiencies and restorative practices. She talked about how her 18-member board works well together and how relationships are developing, subcommittees in alignment with Education Quality Standards (EQS), significant and positive progress being made towards proficiencies, have infused and educated the greater community about the world playing field (European Union, colleges, etc.), outreach by students who have a good understanding of Proficiency-Based Learning (PBL) and the difference between PBL and the grading/recording piece, which had been filled with opportunity to shape this process. Gallagher continued to discuss their belief in the tenets of Act 77, highest achieving students and lower achieving students doing things that might not have been imagined without Act 77, teaming with community health services to reduce truancy, that truancy rates are down 32% and that truant students come to school with the same challenges and are now provided with restorative work that helps them in accessing their education.

Remmers distributed a handout and spoke about flexible pathways and his idea that students of all ability levels and all post-secondary goals should be considering Career Technical Education (CTE) as part of their future plan. He spoke about additional CTE programs off-site, that data shows that conversations with teachers and counselors have the most influence on students enrolling in CTE and he encouraged the Board to think about CTE and its offerings and what can be duplicated. He shared that the percentage of CTE students considering college are in alignment with high school students considering college. He remined the Board that CTE is another option, but certainly not a lesser option. Remmers spoke about looking at CTE in rural environments and examining graduation standards to see what can benefit the local communities, and that Act 77 is allowing schools to operate more like CTEs with hands-on, and experiential learning opportunities.

There were questions and discussion on CTE in rural environments and examining graduation standards to see what can benefit the local communities, that Act 77 is allowing schools to operate more like CTEs with hands-on and experiential learning opportunities, programs offered: creative media and art, computer networking, allied health, business administration, pre-tech (10th graders), construction, HVAC, automotive, electrical, sustainable agriculture and forestry and expanding their early education program.

Consent Agenda/Board Announcements/Student Report

Consent Agenda: Chair Carroll asked for a motion to approve the consent agenda. Peltz moved and Gleason seconded. There was no discussion. Chair Carroll called the vote. The vote passed unanimously.

Board Announcements: There were no Board announcements.

Student Report: Brochu spoke about school demands increasing as it is exam time and that she is looking forward to the discussion on PBL and sharing her experiences.

Chair's Report

Chair Carroll shared that the annual report is taking shape, with help from many Board members, and will be distributed to the General Assembly (GA) through the Agency of Education's (AOE) distribution system by January 3 and will also be hand-delivered to the Governor's Office and legislative leaders by Chair Carroll. He said the report is unusual as it is as much if not more about looking forward as looking back. He said it articulates the general functions of the Board and accepting and executing the directives of the GA (Act 46, Act 173, small school grant metrics, etc.), addresses the plan to have the reinvented Board be independent, that the education committee chairs and Lt. Governor are supportive of this vision, that there is interest in introducing legislation that will re-assign duties from the Board to the AOE and detail separation of function. He added that the climate in the State House is that there have been some reservations of the Board and its performance in years past. Chair Carroll spoke about the independent school rules and the Legislature's unprecedented directive to cease work on them, that the Sunset Advisory Commission was prepared to eliminate the Board until they heard from the Chair and Peltz about the reinvention of the Board, and the need to restore the Legislature confidence in the Board. Chair Carroll spoke about the community of Barnard voting to join the Windsor Central Modified Unified Union School District (MUUSD) and that the community voted in favor of this. He acknowledged Carin Park and Pam Frazier and that it was a big success for the community and Act 46. Peltz added that another issue was funding. Chair Carroll said the goal for this session is to get legislative consent/support for the vision but that it is doubtful that resources will be addressed this session. Chair Carroll is working on a plan for bridging a way for the GA to direct funds to the Board and not through the AOE.

Secretary's Report

In response to Gallagher's and Remmers' comments, Secretary French spoke about one of the structural changes made in the AOE last year was a decision to add the CTE team to the Flexible Pathways division, which aligns well.

Secretary French spoke about the new partnership with MetaMetrics, that will allow for reporting of Smarter Balanced Assessment Consortium (SBAC) scores using Lexiles and Quantiles, which will allow aligning of benchmark assessments and creation of a data continuum. There are a lot of resources available, and since Lexiles and Quantiles are available for most career pathways, it will help with student goal setting. Secretary French explained that this came out of the Act 173 work and the concerning trend of declining SBAC and NAEP literacy scores. Chair Carroll asked if the SBAC scores had been received and why they had not been shared with the Board. There was discussion on the Board seeing disaggregated data, who can access the data, that SBAC data will be released after the holiday, access for parents and districts through a portal and the need for disaggregating data before it is released to the public. Secretary French talked about the studies that informed Act 173 and its focus on the rulemaking process, that there is an opportunity, that District Management Group (DMG) addressed professional development (PD) and resources, and that it is worthy to highlight this as a policy issue. There was discussion on emphasis on literacy as foundational for success in other areas, tools deployed to address math as well. There was discussion on the Child Protection Registry (CPR) audit, that this will be released soon, that there were eight supervisory unions (SUs) that failed to use the CPR, how long this has been required, Act 1 of 2009, AOE's responsibility, 8% being a high error rate, hope of urgency for zero errors, that this could be a future agenda item, no margin for error, AOE's response to the auditor's report, and that new systems of checks and balances have been implemented. There was discussion on support to the field for SBAC conversion data, weighting study, MetaMetrics, psychometrics, coherence of curriculum, meeting with Curriculum Directors and varying responsibilities of these across the state, time spent on curriculum development versus teaching, and the potential role of statewide benchmark assessments.

Opportunity for Public to be Heard

Chair Carroll asked if there were any members of the public to be heard. Jay Nichols, Vermont Principals' Association advised that it was hard to hear French and Gleason. Chair Carroll suggested that they move their seats so that they could be heard better.

Chair Carroll called recess at 9:50 a.m. Chair Carroll called the meeting back to order at 10:06 a.m.

Act 173

Stakeholder Feedback – Act 173 Advisory Group (AG)

Chair Carroll invited Act 173 AG members to address the Board. Meagan Roy, Act 173 AG Chair, and Marilyn Mahusky, Act 173 AG Vice Chair, introduced themselves. Chair Carroll referenced two pieces of documentation that were provided in advance. Roy recapped what has happened since their last appearance before the Board. The Board had asked for recommendations and alternative language. Following the last Board meeting, there was a working meeting with Board members, AG members and representatives from the Federal Education Group (FEG) and that conversation was productive and used in creating the revised draft. The AG was pleased with the AOE and their revised draft which addressed the definition of special education and the funding sources. Chair Carroll interrupted and advised the Board that this was a specific part of the process and to keep the timeline in mind. The purpose around this discussion is for the AG to present their alternative language and the AOE's role is to respond today. Chair Carroll anticipates that there might be discussion and that it is the Board's decision on what will be adopted into the rules. At the next Board meeting, the AOE will present another revision of rules and the Board will adopt these rules and the 8-month rulemaking process will begin. Roy explained that the AG's regular December meeting was cancelled due to weather, so a special conference meeting was called; Secretary French was not able to participate so they have not heard feedback from the AOE on this draft.

Chair Roy spoke to the revisions: 1) state definition of special education is aligned with the federal definition (truncated version but with a reference to the full definition), 2) development of guidance and that stakeholder input should be solicited when the AOE develops this guidance, 3) student placement on an Individualized Education Program (IEP) in an approved special education independent school and that the original language be retained and that all costs of this placement be considered allowable, and 4) location of special education services so that when documenting Maintenance of Effort (MOE) it will be clear that services are provided in local settings.

There was discussion on the degree of authority carried by guidance, stakeholder input, allowable costs and extraordinary costs.

Chair Carroll asked Secretary French what he thought of the latest revision of the rules. Secretary French said he had not had a chance to debrief with staff or hear directly from the Act 173 representatives yet, but that the AOE would be on track with the schedule demanded by the Board. Chair Carroll offered to have the Board proceed with the AG's edits as recommended or be guided by AOE's views. There was discussion on the AOE not having an opinion, that the AOE is not prepared to give input today, that the agenda lists stakeholder input not AOE presentation, and that this delay might push the timeline out a month. Chair Carroll asked for comments from Board members. There was discussion on revisions not being problematic but clarifying, specific clarifications, independent school rules and when they will be addressed, relevance to special education funding rules, regarding location if there is language on who is providing these services, and that the AG is looking to align the state definition with the federal definition.

Chair Carroll asked if there was a motion and offered a suggested motion: that the Board endorses the 4 proposals recommended by the AG and urges the AOE to incorporate these into their final draft. There was discussion hearing from both groups and working together, urging the AOE to incorporate these rules into their next revision, realistic response time for AOE, making a motion contingent on AOE incorporating changes, Board providing guidance to the AOE on their comfort level of proposed changes, eagerness to move this process along, and being ahead of schedule but not wanting to fall behind. Chair Carroll proposed that unless the AOE came back with compelling reasons not to consent to these proposals, then these proposals should be in the final draft. Chair Carroll asked for a motion. O'Farrell moved to endorse the recommendations of the AG and urge the AOE to incorporate these changes into their next draft which will be provided in advance and voted on at the next meeting; Gleason seconded. There was no further discussion. Chair Carroll called the vote. The vote passed unanimously. Chair Carroll said this final version of the rules will be voted on at the January meeting in Rutland.

Roy continued that one of the core purposes of the AG is to advise the Board on its rulemaking and that this has required significant work to produce revised drafts in response to the AOE drafts. She added that the Legislature only funds 8 meetings a year for the AG and they have already had 6 meetings and have spent the bulk of their time on rules and that other responsibilities have not been addressed. Other elements of the rules series that needs to be updated is another concern (implementation of MTSS). Roy summarized that it is challenging when the AG is charged with drafting alternative language and it is starting to feel that it is beyond the scope of the AG to draft language. The AG encourages the Board to seek alternative support in drafting alternative draft language. There was discussion on the deadline for the rules, effective date of statute being July 2022, needing a timeline for completion of independent school rules, policy work plan on the AOE website, AOE's expectation to spend time on independent school rules once these rules are adopted, the weighting study, connection between special education independent school rules and general education rules, and changes needed to the implementation schedule. Chair Carroll spoke to the Board about needing to develop a new timeline and asked the AOE for a draft timeline that could be adjusted for the Board. There was discussion on the trajectory of the block grant going live, budget implications, factoring district considerations into the timeline, AG is required to issue a report to the General Assembly (GA) in January and that this will be discussed at the January AG meeting, intent of AG to make strong and detailed recommendations to the GA, and the need to petition Legislature for resources to avoid delay.

Stakeholder Feedback – Vermont Legal Aid/Disabilities Law Project (VLA/DLP)

Mahusky introduced herself in the role of advocate with VLA/DLP. She shared a document and said these rules are much broader and incorporate all the changes they (VLA/DLP) would like to see in the rule 2360 series. She recognized that there is value in narrowing the proposed rule series 2360 rules changes as they pertain to Act 173. There have been conversations with Vermont Council of Special Education Administrators (VCSEA), and others and consensus has not been reached, so these recommendations are from the advocacy community. There are some rules that are tied to Act 173 – definition of special education and adverse effect and inconsistency among districts in how that is applied. They would like to have this rule eliminated. Mahusky gave highlights on rules to be addressed under Act 173. She said that under Act 173, the AOE is required to create guidance for MTSS and are recommending language that schools have a policy and follow it; currently there is no rule on MTSS and making a rule is recommended. She offered that a statement of purpose is included and that it is important these rules are tied to the 1300 rules series.

Chair Carroll asked if these recommendations were discussed with the AG and Mahusky clarified that they were not and that they were discussed with other education entities. Chair Carroll revisited the timeline, specifically a public comment period in March and April. There was discussion on looking at financial rules separately from program rules, focus on the 1300 series, need to strike relevant portions applied in new rules, timelines, rule series 2360 being opened so that relevant portions can be addressed, aligning everything with federal rules, adverse affect in federal rules, and the due date for initiating funding rules is August. Mahusky offered to provide a redlined version of rules series 2360 to the Board and said she would continue to push for these changes.

New England School for Girls (NESG)

Chair Carroll invited Emily Simmons, General Counsel, to address the Board. Simmons explained that NESG was approved last year and has received approval from Department for Children and Families (DCF) to expand enrollment from 35-49; the current approved capacity is 35. Chair Carroll asked for the rationale for seeking an increase in the age range. Simmons clarified that the enrollment is mainly out-of-state students and that she is unable to say why. Chair Carroll asked if there were any concerns with students of such wide age ranges grouped together. There was discussion on AOE's oversight being on the educational piece of mixed ages, that these discussions would occur at the IEP level, the staffing pattern of the school, that all students attending this school are out-of-state residents, having AOE staff who visited the school present at this meeting, capacity concerns affected by having AOE staff here, and the Chair's rejected offer to invite NESG representatives to this meeting as the matter seemed straight forward. Chair Carroll asked for a motion. Gleason moved to accept the Secretary's recommendation; Peltz seconded. There was discussion on the request being reasonable, staffing ratios and resources. Mathis moved to call the question. The motioned carried. The Chair called the vote; the motion passed unanimously.

Chair Carroll called recess at 11:49 a.m. Chair Carroll called the meeting back to order at 12:39 p.m.

Item I: Overview of Act 77 and Related Regulations pertaining to Proficiency-Based Learning (PBL)

Chair Carroll introduced Item I and explained that the Board would be making more of an effort to be informed on topics of interest or concern. This topic was suggested by Gleason and is also a topic of interest in the Legislature. Secretary French referenced his PowerPoint presentation, The Origins of Vermont's Proficiency-Based Learning Policy and two other documents that he provided for background (The Transformation of Education in VT (2008) and Opportunity to Learn (2009)). He spoke about an initiative, High Schools on the Move (2002), and a transformation retreat in Grafton and the resulting Transformation Policy Commission. He explained the political trajectory and the timeline of relevant statutory language. He noted that Act 77 (2013) references flexible pathways, personalized learning plans (PLPs), dual enrollment and early college and that there is no reference to PBL. The PBL requirement exists in SBE rules 2120.5 and 2120.7. He continued with the timeline for PBL and with 2020 being the compliance deadline for implementation of PBL. He spoke about the regulations being silent on Proficiency-Based Grading (PBG), various ways of reporting proficiency grading, and regulatory requirements for PBL also being applicable to the regulation of elementary and middle level education.

There was discussion on the connection between PBL and PBG, educators wanting something different from traditional grading, need to make learning more relevant to students, controversy if PBG is not required, development of standards leading to curriculum coordination, Personalized Learning Plans (PLPs), legislative intent, Carnegie units, nuances of interpretation, Vermont's decision to personalize learning in law and in regulation, leftover responsibilities from Act 98, and why PBL was not part of Act 77.

Chair Carroll spoke about conversations with the House and Senate education committees on PBL, and how and why the former Board adopted PBL, that this was essentially an unfunded mandate, and that this was decided upon without consideration for initiative overload. Discussion continued that this is an example of why separation of the Board and AOE is important, that this is a good example of why it might be good to dissolve the Board, that coherence of policy is crucial, importance of having a Board like the current Board to do this work and that they do the best they can. Nichols spoke about AOE hiring *Great Schools Partnership* to train school leadership staff and that some systems focused on PLPs and others on PBL and that it is too much to expect schools to focus on both at the same time.

Brochu excused herself from the meeting at 1:30 p.m. Chair Carroll thanked her for coming despite having academic and extracurricular commitments. He said it was important that her voice was heard. Gleason spoke about how Brochu has enlightened her on the PBL process.

Chair Carroll spoke about the importance of not bringing individual personal experiences to the PBL examination process, but instead using the hearings to act as a quasi-judicial Board and not gathering information outside of these hearings. He spoke about this Board having a tendency to minimize its understanding of the optics and emphasized that the Board is not yet ready to make recommendations around PBL and thinks it is politically prudent to have the Legislature give some recommendations. There was discussion on where the Board should situate itself in relation to education policies, curriculum, who controls what is taught in schools, Legislature's role, the Board retaining authority over Education Quality Standards (EQS) and freeing up other responsibilities to pursue activities like what is planned for January.

State Board Work Session

Chair Carroll spoke about the January meeting resulting in a report by the Board, not AOE staff, to the GA that would convey what the Board was told; not thoughts or opinions. There was conversation on any risks that AOE might have around PBL and a possible Request for Information/Request for Proposal (RFI/RFP) for a student information system. Chair Carroll reviewed his overview and spoke about the purpose of the January meeting being to gather information on an education-related topic, prepare a report and deliver it to the GA (and other specified parties). He emphasized that the topic of impartiality is important and that the Board needs to be as open and impartial as possible. He encouraged Board members to not read up on PBL and to ignore opinions and mis-information on this topic until after the hearings and stressed the importance of hearing this information on the public record and from knowledgeable sources. He explained balanced testimony and that there would be a vetting process for individuals recommended to testify. There was discussion on data available for schools that are in various levels of implementation, needing evidence to share statewide on PBL, some PBL implementation is assessed through Integrated Field Reviews (IFRs), Board needing a briefing packet, briefing packet available to public and neutralizing polarization through how it is framed.

Chair Carroll explained the plan for the January meeting: start at noon with a regular Board meeting (90 minutes), 2 hours of testimony from 6 expert witnesses (20 minutes each), witnesses will be required to provide written testimony, media and public are encouraged to attend, then 30 minutes of public comment (balanced), break for supper (not dinner because it will be simple) and invite the public and witnesses to have supper with the Board, at the Board's expense. Chair Carroll asked for volunteers to help promote this. Supper will end at 5:50 p.m. and the Board will meet until 7:50 p.m., hearing from 6 more expert witnesses (20 minutes each), followed by 30 minutes of public comment, 10-minute debrief and adjournment. There was discussion on the genesis of PBL and employers wanting to see graduates prepared, involving/inviting employers and college admissions staff, CTE having a long-standing history of proficiency focus, witnesses need to have expertise and specific knowledge, that the Board won't accomplish all that is hoped, this is an opportunity to prove to the GA that we can be useful, need time reserved to work on the report, will do that offline following the meeting because it cannot wait until February, working on staff support for the Board, student interns as a possibility, inviting eTV, editing the video to promote this, possibly commissioning Vandagriffe (RETN) to do this work. Chair Carroll asked for assistance in vetting witnesses for testimony; Peltz expressed interest. Carroll asked if Fisher had any capacity; French said not with legislative session starting. Peltz gave kudos to Fisher for the daily media clips.

Adjourn

Chair Carroll adjourned the meeting at 2:26 p.m.

Minutes prepared by Maureen Gaidys.

State Board of Education
Date: December 18, 2019
Item C

AGENCY OF EDUCATION
Montpelier, Vermont

TEAM: Legal

ACTION ITEM: Will the State Board of Education approve Emerson College as the designated entity pursuant to 16 V.S.A. § 175, to act as permanent repository for Marlboro College student academic records?

SECRETARY'S RECOMMENDED ACTION:

That the State Board of Education approve Emerson College as the designated entity pursuant to 16 V.S.A. § 175, to act as permanent repository for Marlboro College student academic records.

STATUTORY AUTHORITY: 16 V.S.A. § 175, State Board Rule 2250

BACKGROUND INFORMATION:

State statute requires a postsecondary institution proposing to discontinue its course of instruction to take several steps with regard to student academic records. The institution must inform the State Board, prepare the academic record of each former and current student in a form satisfactory to the State Board, and deliver the records to the person designated by the Board. The Board has promulgated rules consistent with statute.

The statute and rules do not state any criteria that the State Board should consider when designating a person to act as permanent repository for a closing institution's student records. The statute states that students and former students "shall be entitled to copies of their records" after paying a "reasonable" fee. 16 V.S.A. § 175(c).

Marlboro College will merge operations with Emerson College (Boston, Massachusetts) effective after 2019-2020 academic year.

Marlboro and Emerson have signed an agreement that provides for Emerson to serve as custodian of record for Marlboro student education records. Emerson will take custody of all Marlboro student transcripts electronically by June 30, 2020. Records of students who are completing academic requirements on or after June 30 will be forwarded to Emerson no later than September 1, 2020. Marlboro will also deliver paper transcripts going back to 1948 and physical course catalogs to Emerson.

Marlboro has stated it will make an announcement concerning the location of student academic records on its website and social media accounts. Emerson will also advertise the method of obtaining Marlboro records on the Emerson website.

The Agency of Education does not have the staff or space to act as an appropriate custodian of student academic records. The Agency is not authorized by law to charge a fee to a student who requests his or her student record, if the record were to be housed at the Agency.

POLICY IMPLICATIONS: None.

EDUCATION IMPLICATIONS: Protection of student right to access academic transcripts.

FISCAL IMPLICATIONS: None.

STAFF AVAILABLE: Emily Simmons, General Counsel