

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

**CORPORATION OF MARLBORO COLLEGE
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YEARS ENDED JUNE 30, 2018 AND 2017**

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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 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. 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
October 19, 2018

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

| ASSETS | 2018 | 2017 |
|--|---------------|---------------|
| 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 | | | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| 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 | <u>\$ 16,656,999</u> | <u>\$ 8,736,158</u> | <u>\$ 31,061,595</u> | <u>\$ 56,454,752</u> |

See accompanying Notes to Financial Statements.

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

| | 2017 | | | Total |
|--|----------------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| 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 from 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 | <u>\$ 16,483,218</u> | <u>\$ 9,568,258</u> | <u>\$ 31,055,796</u> | <u>\$ 57,107,272</u> |

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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

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

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.

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

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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 policy. 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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 primarily 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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 |

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

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

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

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| 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 | <u>7,540,671</u> | <u>7,540,672</u> |
| Total Permanently Restricted Net Assets | <u>\$ 31,061,595</u> | <u>\$ 31,055,796</u> |

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:

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

NOTE 5 CASH AND CASH EQUIVALENTS

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

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| 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 | <u>1,892,069</u> | <u>540,838</u> |
| Total | <u>\$ 2,297,105</u> | <u>\$ 2,229,961</u> |

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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:

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

NOTE 7 ACCOUNTS RECEIVABLE

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

| | <u>2018</u> | <u>2017</u> |
|-------------------|------------------|-------------------|
| 120 Days Past Due | \$ 98,509 | \$ 117,765 |
| Total Past Due | <u>\$ 98,509</u> | <u>\$ 117,765</u> |

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

| | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|
| 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 | <u>\$ 32,323</u> | <u>\$ 33,593</u> |

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 8 INVESTMENTS

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

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

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

| | <u>2018</u> | <u>2017</u> |
|--|--------------------|-------------------|
| 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) | <u>\$ (62,263)</u> | <u>\$ 312,240</u> |

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:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| 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) | <u>\$ 3,630,434</u> | <u>\$ 4,585,345</u> |

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

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.

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| 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 | <u>\$ 511,764</u> | <u>\$ 514,335</u> |

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 | <u>2018</u> | <u>2017</u> |
|--------------------------------------|---------------------------|----------------------|----------------------|
| 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 | | <u>33,757,844</u> | <u>38,935,283</u> |
| Less: Accumulated Depreciation | | <u>(15,400,721)</u> | <u>(16,946,371)</u> |
| Net Land, Buildings, and Equipment | | <u>\$ 18,357,123</u> | <u>\$ 21,988,912</u> |

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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

NOTE 12 LONG-TERM DEBT OBLIGATIONS

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

| <u>Description</u> | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| \$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. | <u>2,341,322</u> | <u>2,423,964</u> |
| Total | <u>\$ 2,388,215</u> | <u>\$ 3,890,319</u> |

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

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

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

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.

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

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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 |

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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 | | | Total |
|---|--------------|---------------------------|---------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| 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 | <u>\$ -</u> | <u>\$ 6,558,029</u> | <u>\$ 31,061,595</u> | <u>\$ 37,619,624</u> |
| | | | | |
| | 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 | <u>\$ -</u> | <u>\$ 6,287,804</u> | <u>\$ 31,055,796</u> | <u>\$ 37,343,600</u> |

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.

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

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.

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

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

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

| | 2018 | | | | Measured at NAV |
|--|----------------------|---------------------|-------------|-------------|----------------------|
| | Total | Level 1 | Level 2 | Level 3 | |
| 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 | | | | Measured at NAV |
| | Total | Level 1 | Level 2 | Level 3 | |
| 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 |

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

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 | | Monthly | Quarterly | Semi-Annual to Annual | Illiquid | Days Notice |
| | Value | Daily | | | | | |
| 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 | <u>\$ 33,684,929</u> | <u>\$ 1,483,503</u> | <u>\$ 2,491,027</u> | <u>\$ 11,534,203</u> | <u>\$ 1,888,106</u> | <u>\$ 16,288,090</u> | |

| | 2017 | | | | | | |
|----------------------------|----------------------|-------------------|---------------------|----------------------|--------------------------|----------------------|------------------|
| | Net Asset | | Monthly | Quarterly | Semi-Annual to Annual | Illiquid | Days Notice |
| | Value | Daily | | | | | |
| 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 | <u>\$ 32,916,743</u> | <u>\$ 879,054</u> | <u>\$ 2,439,545</u> | <u>\$ 10,936,044</u> | <u>\$ 6,834,152</u> | <u>\$ 11,827,948</u> | |

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 | <u>\$ 1,479,350</u> |

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017**

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.