CORPORATION OF MARLBORO COLLEGE

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2010 AND 2009

CORPORATION OF MARLBORO COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

We have audited the accompanying statement of financial position of the Corporation of Marlboro College (the College) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the College as of June 30, 2009, were audited by other auditors whose report dated October 29, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

LarsonAllen LLP

LarsonAllen LLP

Quincy, Massachusetts
January 25, 2011

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and Cash Equivalents	$ 4,639,259	$ 3,178,617
Cash Restricted for Long-Term Purposes	774,212	2,244,397
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of $39,650 in 2010 and $51,673 in 2009	230,690	247,712
Inventories	134,610	149,379
Prepaid Expenses and Other Assets	158,405	177,256
Contributions Receivable, Net	63,907	157,778
Investments	11,631,867	13,465,061
Investment in Limited Partnerships	20,059,408	14,489,207
Interest in Split-Interest Agreements	1,746,275	2,253,264
Land, Buildings, and Equipment, Net	18,890,380	19,655,670
Total Assets	$ 58,329,013	$ 56,018,341
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 314,623	$ 340,079
Accrued Expenses	1,531,896	1,426,183
Deposits	295,367	283,600
Deferred Revenue	550,030	472,803
Discount for Future Interest	240,860	327,606
Long-Term Debt Obligations	6,111,510	6,470,948
Total Liabilities	9,044,286	9,321,219
NET ASSETS		
Unrestricted:		
Undesignated	11,933,084	12,374,627
Board Designated	2,750,000	750,000
Total Unrestricted	14,683,084	13,124,627
Temporarily Restricted	6,630,104	5,662,661
Permanently Restricted	27,971,539	27,909,834
Total Net Assets	49,284,727	46,697,122
Total Liabilities and Net Assets	$ 58,329,013	$ 56,018,341

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2010 AND 2009

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and Fees	$ 11,378,168	$ -	$ -	11,378,168
Less: Scholarships	(4,218,032)	-	-	(4,218,032)
Net Tuition and Fees	7,160,136	-	-	7,160,136
Federal Aid to Students	140,514	-	-	140,514
Federal Grant Revenue	109,420	-	-	109,420
Contributions	1,205,546	822,201	-	2,027,747
Interest Income from Cash and Cash Equivalents	41,205	-	-	41,205
Investment Income Available for Operations	-	1,454,000	-	1,454,000
Sales and Services of Auxiliary Enterprises	2,124,479	-	-	2,124,479
Rental Income	675,070	-	-	675,070
Other Sources	171,827	3,015	-	174,842
Net Assets Released form Restrictions	2,841,067	(2,841,067)	-	-
Total Revenues, Gains and Other Support	14,469,264	(561,851)	-	13,907,413
OPERATING EXPENSES				
Instruction	5,088,590	-	-	5,088,590
Academic Support	1,468,444	-	-	1,468,444
Student Services	2,261,598	-	-	2,261,598
Institutional Support	3,677,906	-	-	3,677,906
Auxiliary Enterprises	1,852,658	-	-	1,852,658
Total Operating Expenses	14,349,196	-	-	14,349,196
Change in Net Assets from Operations	120,068	(561,851)	-	(441,783)
NONOPERATING ACTIVITIES				
Contributions	-	-	31,826	31,826
Investment Loss, Net of Spending Policy	1,370,254	1,812,918	-	3,183,172
Gain (Loss) on Sale of Land, Buildings and Equipment	(41,134)	-	-	(41,134)
Change in Value of Split-Interest Agreements	-	(174,355)	29,879	(144,476)
Net Assets Released from Restrictions	109,269	(109,269)	-	-
Reclassification of Net Assets	-	-	-	-
Total Nonoperating Activities	1,438,389	1,529,294	61,705	3,029,388
CHANGE IN NET ASSETS	1,558,457	967,443	61,705	2,587,605
Net Assets - Beginning of Year	13,124,627	5,662,661	27,909,834	46,697,122
NET ASSETS - END OF YEAR	$ 14,683,084	$ 6,630,104	$ 27,971,539	$ 49,284,727

See accompanying Notes to Financial statements.

2009			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 11,248,179	$ -	$ -	$ 11,248,179
(3,997,482)	-	-	(3,997,482)
7,250,697	-	-	7,250,697
139,474	-	-	139,474
-	-	-	-
1,337,876	954,638	-	2,292,514
139,191	1,128	-	140,319
871,695	613,731	-	1,485,426
2,270,903	-	-	2,270,903
642,977	-	-	642,977
234,793	2,841	-	237,634
1,114,141	(1,114,141)	-	-
14,001,747	458,197		14,459,944
4,978,239	-	-	4,978,239
1,362,009	-	-	1,362,009
2,332,571	-	-	2,332,571
3,588,692	-	-	3,588,692
1,742,949	-	-	1,742,949
14,004,460	-	-	14,004,460
(2,713)	458,197	-	455,484
-	108,336	13,090	121,426
(5,047,246)	(1,074,271)	-	(6,121,517)
13,687	-	-	13,687
-	77,686	(197,459)	(119,773)
269,151	(269,151)	-	-
(1,481,448)	1,472,696	8,752	-
(6,245,856)	315,296	(175,617)	(6,106,177)
(6,248,569)	773,493	(175,617)	(5,650,693)
19,373,196	4,889,168	28,085,451	52,347,815
$ 13,124,627	$ 5,662,661	$ 27,909,834	$ 46,697,122

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 2,587,605	$ (5,650,693)
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,054,532	1,146,674
(Gain) Loss on Sale of Land, Buildings and Equipment	41,134	(13,687)
Contributions Restricted for Long-Term Investment	(31,826)	(121,426)
Net Realized and Unrealized (Gain) Loss on Investments	(4,236,515)	4,791,004
Change in Value of Split-Interest Agreements	144,476	119,773
Increase (Decrease) in Current Assets:		
Accounts Receivable	17,022	31,511
Inventories	14,769	(7,600)
Prepaid Expenses and Other Assets	18,851	(82,486)
Contributions Receivable	93,871	(123,778)
Contributed Assets Held for Sale for Operating Purposes	-	175,000
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(25,456)	(7,811)
Accrued Expenses	105,713	55,175
Deposits	11,767	(16,450)
Deferred Revenue	77,227	211,370
Net Cash (Used) Provided by Operating Activities	(126,830)	506,576
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	1,470,185	(633,952)
Payments for the Acquisition of Land, Buildings and Equipment	(330,376)	(716,733)
Proceeds from Sale of Land, Buildings and Equipment	-	13,687
Proceeds from Sales of Investments	3,240,409	3,513,801
Purchase of Investments	(2,740,901)	(4,622,078)
Net Cash Provided (Used) by Investing Activities	1,639,317	(2,445,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Long-Term Debt	-	26,940
Payments on Long-Term Debt	(359,438)	(279,052)
Proceeds from Redemption of Split-Interest Agreement	275,767	51,161
Contributions Received Restricted for Long-Term Investment	31,826	2,121,426
Net Cash (Used) Provided by Financing Activities	(51,845)	1,920,475
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	1,460,642	(18,224)
Cash and Cash Equivalents - Beginning of Year	3,178,617	3,196,841
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,639,259	$ 3,178,617
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	$ 247,501	$ 240,630

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 programs in internet arts and sciences, community service, and economic development.

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.

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 unrestricted support. 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.

During the years ended June 30, 2010 and 2009, the College received 36% and 47% of its contributions from one donor, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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.

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 donative restrictions.

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.

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.

Inventories

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments and investments in limited partnerships 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 investments in limited partnerships for which there is no readily determinable fair market value is determined by the limited partnership's investment fund management in accordance with the limited partnership agreement.

Split-Interest Agreements

The College's split-interest agreements with donors consist of a charitable remainder unitrust, perpetual trust, retained life estate, and 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.

The retained life estate is reported at fair value based on an independent appraisal conducted at the date of the initial gift.

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. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. 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.

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, 2010 and 2009 was $811,131 and $826,331, 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 not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (Code) and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code.

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. The College's 2007, 2008, and 2009 tax years are open for examination by the IRS.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The presentation of financial statements in conformity with U.S. generally accepted accounting principles 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.

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 January 25, 2011 the date the financial statements were available for issuance.

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

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

	2010	2009
Purpose Restrictions:		
Instruction	$ 1,428,246	$ 884,462
Student Aid	1,613,332	367,885
Building and Equipment	534,531	770,673
Other Purpose Restrictions	1,724,874	791,607
Total Purpose Restrictions	5,300,983	2,814,627
Time Restrictions:		
Any Activities of the College	-	1,196,850
Life Income Fund	505,929	487,361
Retained Life Estate	782,815	1,006,095
Contributions Receivable, Net	40,377	157,728
Total Time Restrictions	1,329,121	2,848,034
Total Temporarily Restricted Net Assets	$ 6,630,104	$ 5,662,661

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

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

	2010	2009
Instruction	$ 13,763,238	$ 13,768,238
Student Aid	6,418,233	6,135,435
Other	324,315	324,215
Interest in Split-Interest Agreements	231,614	447,807
Any Activities of the College	7,234,139	7,234,139
Total Permanently Restricted Net Assets	$ 27,971,539	$ 27,909,834

There were no contributions receivable included in the above net assets at June 30, 2010 and 2009.

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, 2010 and 2009:

	2010	2009
Operating Purpose Restrictions:		
Instruction	$ 418,385	$ 314,684
Student Aid	93,638	137,369
Other	857,166	457,149
Subtotal	1,369,189	909,202
Time Restrictions	1,471,878	204,939
Total Temporarily Restricted Net Assets	$ 2,841,067	$ 1,114,141
Nonoperating Purpose Restriction - Plant	$ 109,269	$ 269,151

NOTE 5 CASH AND CASH EQUIVALENTS

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

	2010	2009
Unrestricted	$ 4,542,639	$ 2,776,554
Temporarily Restricted	96,620	402,063
Total	$ 4,639,259	$ 3,178,617

NOTE 6 CONTRIBUTIONS RECEIVABLE

Contributions receivable, which are restricted primarily for endowment, building construction, and annual fund pledges, consist of the following at June 30:

	2010	2009
Unconditional Promises Expected to be Collected in:		
Less than One Year	$ 45,227	$ 130,208
One Year to Five Years	20,000	30,000
Total	65,227	160,208
Less: Discount to Present Value at 6.0%	(1,320)	(2,430)
Total	$ 63,907	$ 157,778

NOTE 7 INVESTMENTS

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

	2010	2009
Short-Term Investments	$ 3,433,164	$ 4,677,483
Common Preferred Stocks	5,110,875	5,664,088
Foreign Equities	1,250,811	914,914
U.S. Government and Corporate Bonds	1,837,017	2,208,576
Total	$ 11,631,867	$ 13,465,061

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

	2010	2009
Interest and Dividends	$ 309,955	$ 326,671
Unrealized and Realized Gains (Losses)	1,108,020	(2,249,094)
Less: Investment Management Fees	(97,572)	(108,120)
Total	$ 1,320,403	$ (2,030,543)

NOTE 8 INVESTMENT IN LIMITED PARTNERSHIPS

The investment in limited partnerships is carried at the College's proportional share of the fair value of the net asset value of the limited partnerships. The balance in the investment in limited partnerships at June 30, 2010 and 2009 was $20,059,408 and $14,489,207, respectively. Investment income (loss) from investment in limited partnerships for the years ended June 30 consists of the following:

	2010	2009
Interest and Dividends	$ 118,152	$ 134,057
Unrealized and Realized Gains (Losses)	3,422,952	(2,541,910)
Less: Investment Management Fees	(224,335)	(197,695)
Total	$ 3,316,769	$ (2,605,548)

Under the College's limited partnership agreements, the College had a total capital commitment outstanding of approximately $2.2 million at June 30, 2010. Cash restricted for long-term purposes within the endowment will be used to fund this capital commitment.

NOTE 9 INTEREST IN SPLIT-INTEREST AGREEMENTS

	2010	2009
Temporarily Restricted Primarily for General Operations		
Pooled Life-Income Funds:		
Short-Term Investments	$ 19,083	$ 12,028
Common Stocks	317,621	309,360
Corporate Bonds	249,333	242,576
U.S. Government Bonds	3,624	6,494
Total	589,661	570,458
Retained Life Estate	925,000	1,235,000
Total Temporarily Restricted	1,514,661	1,805,458
Permanently Restricted Primarily for General Operations		
Perpetual Trust	-	246,072
Charitable Remainder Unitrust	231,614	201,734
Total Permanently Restricted	231,614	447,806
Total Interest in Split-Interest Agreements	$ 1,746,275	$ 2,253,264

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.

In 2010, the donor of the perpetual trust elected to dissolve the trust and transfer the trust assets to the College. The proceeds from the dissolution of the trust are included in the College's endowment.

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	2010	2009
Land and Other Nondepreciable Assets	-	$ 601,549	$ 601,549
Artwork	-	312,250	312,250
Campus Grounds	15-40 Years	3,162,880	3,162,880
Buildings and Building Improvements	15-40 Years	21,413,032	21,312,549
Furniture, Fixtures, and Equipment	3-10 years	4,590,801	4,690,413
Library Books	7 years	417,213	362,409
Vehicles	5 years	445,605	602,599
Construction in Progress	-	81,789	112,120
Total		31,025,119	31,156,769
Less: Accumulated Depreciation		(12,134,739)	(11,501,099)
Net Land, Buildings, and Equipment		$ 18,890,380	$ 19,655,670

Depreciation expense charged to operations was $1,054,532 and $1,146,674 for the years ended June 30, 2010 and 2009, respectively.

NOTE 11 LONG-TERM DEBT OBLIGATIONS

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

Description	2010	2009
$4,650,000 Vermont Educational and Health Buildings Financing Agency Revenue Bond, Series 1999 A. Interest and principal payable in monthly installments commencing in April 2004 at varying amounts, with interest rates to be adjusted every five years (2.78% at June 30, 2009), with a final payment due March 1, 2019; collateralized by a general revenue pledge.	$ 3,195,000	$ 3,495,000
$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 mortgaged property located in Brattleboro, Vermont as well as the tangible personal property and fixtures of the College.	2,916,510	2,975,948
Total	$ 6,111,510	$ 6,470,948

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

Year Ending June 30,	Amount
2011	$ 361,936
2012	364,540
2013	382,253
2014	430,080
2015	433,028
Thereafter	4,139,673
Total	$ 6,111,510

Under the terms of the Revenue Bond agreement, the College is required to maintain ratios as determined in accordance with Section 498 of the Higher Education Act and to maintain a value of investments equal to at least $20,000 per enrolled full time undergraduate student. Insurance coverage over general liability, fire and other natural disasters, and boiler insurance must be maintained throughout the term of the College's indebtedness. Audited financial statements in accordance with accounting principles as generally accepted in the United States must be submitted no later than 150 days after the fiscal year-end under audit. This requirement was not met, and a waiver was received subsequent to year-end. The College is required to have independent counsel render an opinion on each fifth anniversary date after issuance of the bond to the effect that all financial statements and continuation statements have been recorded or filed. The College was not in compliance with the second five-year anniversary filing requirement during the year ended June 30, 2009. The College submitted the required filings subsequent to June 30, 2009.

NOTE 11 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, 2010, the balance in this reserve account was approximately $69,000, 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. Audited financial statements must be submitted within 30 days after the report date or ninety days after the fiscal year-end, whichever is earlier. This requirement was not met, and a waiver was received subsequent to year-end.

Interest Expense

Interest expense was $247,501 and $240,630 for the years ended June 30, 2010 and 2009, respectively.

Line of Credit

The College has a line of credit from a bank in the amount of $2,000,000. 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 base rate (3.25% at June 30, 2010). At June 30, 2010 and 2009, there were no amounts outstanding under the line of credit agreement.

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the requirements of Financial Accounting Standards Board *Accounting Standards Codification* (FASB ASC) 825-10-50, *Disclosure About the Fair Value of Financial Instruments,* the estimated fair values of the College's financial instruments as of June 30, 2010 and 2009 have been determined by using, where practicable, appropriate valuation methodologies.

Using discounted cash flow analysis, the College determined that the estimated fair value of its accounts receivable and short-term borrowing approximates the gross carrying amounts at June 30, 2010 and 2009, respectively. The fair value of long-term debt is estimated based on current rates offered to the College for debt of similar terms and maturities. Under this method, the Organization's fair value of long-term debt was approximately $350,000 more than the carrying value at June 30, 2010 and 2009. The College further determined that the carrying amounts of all other financial assets and liabilities at June 30, 2010 and 2009 approximate fair value.

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, 2010 and 2009 was $131,419 and $144,836, 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) and College Retirement Equities Fund (CREF). Substantially all full-time employees are eligible to participate in the plans. The College and eligible employees each contribute a minimum of 1% up to 5% of regular salary, as defined, and employees may make additional voluntary contributions in excess of the mandatory contribution of 5%. The College's contribution to retirement plans for the years ended June 30, 2010 and 2009 was $203,549 and $199,775, respectively.

The College adopted a defined contribution retiree healthcare plan effective July 1, 2007. This plan is administered by Emeriti, Aetna, and Fidelity. 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, 2010 and 2009 were $17,917 and $18,379, respectively.

NOTE 15 FUNDRAISING EXPENSES

Fundraising costs for the years ended June 30, 2010 and 2009 were approximately $331,000 and $300,000, respectively, 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 U.S. generally accepted accounting principles (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 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.

NOTE 16 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

The College's interpretation of the newly enacted Act and adoption of FASB ASC 958-205-65-1, *Endowments for Not-for-Profit Organizations: Net Asset Classifications of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures* resulted in a change in accounting method and a reclassification of net assets from unrestricted to temporarily restricted of approximately $1,480,000 as of June 30, 2009.

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 are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (22,534)	$ 3,567,907	$ 27,739,925	$ 31,285,298
Board Designated Endowment Funds	2,750,000	-	-	2,750,000
Total	$ 2,727,466	$ 3,567,907	$ 27,739,925	$ 34,035,298

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ (1,429,607)	$ 2,016,392	$ 27,462,028	$ 27,153,002
Board Designated Endowment Funds	750,000	-	-	750,000
Total	$ (679,607)	$ 2,016,392	$ 27,462,028	$ 27,903,002

NOTE 16 ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

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

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2009	$ (679,607)	$ 2,016,392	$ 27,462,028	$ 28,798,813
Investment Loss:				
Investment Income	-	456,825	-	456,825
Net Appreciation	1,407,073	2,548,690	-	3,955,763
Total Investment Loss	727,466	5,021,907	27,462,028	33,211,401
Contributions	-	-	277,897	277,897
Transfers to Create Board Designated Endowment	2,000,000	-	-	2,000,000
Appropriation of Endowment Assets for Expenditures	-	(1,454,000)	-	(1,454,000)
Endowment Net Assets, June 30, 2010	$ 2,727,466	$ 3,567,907	$ 27,739,925	$ 34,035,298

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2008	$ 4,412,618	$ 1,043,785	$ 25,440,185	$ 30,896,588
Investment Loss:				
Investment Income	160,098	176,184	-	336,282
Net Depreciation	(2,379,339)	(610,135)	-	(2,989,474)
Total Investment Loss	(2,219,241)	(433,951)	25,440,185	28,243,396
Contributions	-	19,000	2,021,843	2,040,843
Net Reclassifications of Net Assets	(1,488,471)	1,488,471	-	-
Appropriation of Endowment Assets for Expenditures	(1,384,513)	(100,913)	-	(1,485,426)
Endowment Net Assets, June 30, 2009	$ (679,607)	$ 2,016,392	$ 27,462,028	$ 28,798,813

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 $22,534 and $1,429,607 as of June 30, 2010 and 2009, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the board of trustees.

NOTE 16 ENDOWMENT (CONTINUED)

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 purchasing power 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% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. 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 purchasing power 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 2015.

Minimum future rentals to be received on noncancelable leases as of June 30, 2010, for each of the next five years are as follows:

Year Ending June 30,	Amount
2011	$ 272,400
2012	266,151
2013	237,001
2014	220,150
Thereafter	269,868
Total	$ 1,265,570

Rental income from these leases was $289,955 and $261,614 for the years ended June 30, 2010 and 2009, 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.

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

	2010			
	Total	Level 1	Level 2	Level 3
Investments				
Short-term Investments	$ 3,433,164	$ 3,433,164	$ -	$ -
Common and Preferred Stocks	5,110,875	5,110,875	-	-
Foreign Equities	1,250,811	1,250,811	-	-
U.S. Government and Corporate Bonds	1,837,017	1,837,017	-	-
Total Investments	11,631,867	11,631,867	-	-
Investment in Limited Partnerships	20,059,408	-	5,115,045	14,944,363
Interest in Split-Interest Agreements				
Pooled Life Income Funds	589,661	589,661	-	-
Charitable Remainder Unitrust	231,614	-	-	231,614
Total Interest in Split-Interest Agreements	821,275	589,661	-	231,614

	2009			
	Total	Level 1	Level 2	Level 3
Investments				
Short-term Investments	$ 4,677,483	$ 4,677,483	$ -	$ -
Common and Preferred Stocks	5,664,088	5,664,088	-	-
Foreign Equities	914,914	914,914	-	-
U.S. Government and Corporate Bonds	2,208,576	2,208,576	-	-
Total Investments	13,465,061	13,465,061	-	-
Investment in Limited Partnerships	14,489,207	-	3,680,347	10,808,860
Interest in Split-Interest Agreements				
Pooled Life Income Funds	570,458	570,458	-	-
Charitable Remainder Unitrust	201,734	-	-	201,734
Perpetual Trust	246,072	-	-	246,072
Total Interest in Split-Interest Agreements	1,018,264	570,458	-	447,806

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the College's various financial instruments included in Level 2 and Level 3. The fair value for Level 2 investment in limited partnerships is primarily based on market prices of comparable securities, interest rates, prepayment speeds, and credit risk.

The fair value for Level 3 investment in limited partnerships is based on the net asset value determined by the general partners as there is typically little, if any, market activity for the underlying investment. The fair value of certain debt securities held by these partnerships is based upon bids received from primary pricing sources. The fair value for certain derivative contracts held by these partnerships is based upon non-conventional models incorporating various cash flow assumptions.

The charitable remainder unitrust is valued using the College's proportional interest in the fair value of the assets held by the trust, based on the donor's life expectancy. The perpetual trust and pooled life-income funds are reported at the fair value of the underlying investments, based on quoted market prices. The College holds the assets under the pooled life income funds and the retained life estate.

Changes in fair value of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) are comprised of the following for the years ended June 30, 2010 and 2009:

	Investment in Limited Partnerships	Charitable Remainder Unitrust	Perpetual Trust	2010 Total
Balances, Beginning of the Year	$ 10,808,860	$ 201,735	$ 246,072	$ 11,256,667
Realized & Unrealized Investment Gains (Losses)	2,281,821	-	-	2,281,821
Purchases of Investments	1,853,682	-	-	1,853,682
Proceeds from Sale of Investments	-	-	(275,767)	(275,767)
Change in Value of Trusts	-	29,879	29,695	59,574
Balances, End of the Year	$ 14,944,363	$ 231,614	$ -	$ 15,175,977

	Investment in Limited Partnerships	Charitable Remainder Unitrust	Perpetual Trust	2009 Total
Balances, Beginning of the Year	$ 11,068,049	$ 244,614	$ 400,651	$ 11,713,314
Realized & Unrealized Investment Gains (Losses)	(2,065,768)	-	-	(2,065,768)
Investment Purchases	1,806,579	-	-	1,806,579
Change in Value of Trusts	-	(42,879)	(154,579)	(197,458)
Balances, End of the Year	$ 10,808,860	$ 201,735	$ 246,072	$ 11,256,667

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

The College values certain investment holdings at fair value using their net asset value and has the ability to redeem its investment with the investee at net asset value per share (or its equivalent) at the measurement date.

Fair Value Measurements of Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) as of June 30, 2010:

	Net Asset Value	Unfunded Commitments	Redemption Notice Period
Hedge Funds			
Redemption Frequency:			
Monthly	$ 2,072,483	$ -	3 Days
Monthly	488,267	-	30 Days
Quarterly	4,626,785	-	45 Days
Semi-Annual (May and November)	1,588,514	600,000	-
Annual	941,467	-	90 Days
Annual	917,684	-	120 Days
	$ 10,635,200	$ 600,000	$ -