CORPORATION OF MARLBORO COLLEGE

FINANCIAL STATEMENTS
AND
SINGLE AUDIT COMPLIANCE REPORTS

YEARS ENDED JUNE 30, 2011 AND 2010

CORPORATION OF MARLBORO COLLEGE
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YEARS ENDED JUNE 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

We have audited the accompanying statements of financial position of the Corporation of Marlboro College (the College) as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

LarsonAllen LLP
LarsonAllen LLP

Quincy, Massachusetts
October 27, 2011

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CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and Cash Equivalents	$ 5,547,001	$ 4,639,258
Cash Restricted for Long-Term Purposes	1,335,598	774,213
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of $99,955 in 2011 and $39,650 in 2010	147,208	230,690
Inventories	141,440	134,610
Prepaid Expenses and Other Assets	106,224	158,405
Contributions Receivable, Net	108,983	63,907
Investments	12,152,702	11,631,867
Investment in Limited Partnerships	22,779,009	20,059,408
Interest in Split-Interest Agreements	928,385	1,746,275
Land, Buildings, and Equipment, Net	19,369,125	18,890,380
Total Assets	$ 62,615,675	$ 58,329,013
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	$ 373,789	$ 314,623
Accrued Expenses	1,535,838	1,531,896
Deposits	288,936	295,367
Deferred Revenue	573,356	550,030
Discount for Future Interest	104,407	240,860
Environmental Remediation Liability	143,170	-
Long-Term Debt Obligations	5,749,574	6,111,510
Total Liabilities	8,769,070	9,044,286
NET ASSETS		
Unrestricted:		
Undesignated	13,004,085	11,933,084
Board Designated	3,557,014	2,750,000
Total Unrestricted	16,561,099	14,683,084
Temporarily Restricted	9,272,448	6,630,104
Permanently Restricted	28,013,058	27,971,539
Total Net Assets	53,846,605	49,284,727
Total Liabilities and Net Assets	$ 62,615,675	$ 58,329,013

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Tuition and Fees	$ 11,228,337	$ -	$ -	$ 11,228,337
Less: Scholarships	(3,934,545)	-	-	(3,934,545)
Net Tuition and Fees	7,293,792	-	-	7,293,792
Federal Aid to Students	142,963	-	-	142,963
Federal Grant Revenue	-	-	-	-
Contributions	1,081,772	1,042,327	-	2,124,099
Interest Income from Cash and Cash Equivalents	46,865		-	46,865
Investment Income Available for Operations	-	1,588,000	-	1,588,000
Sales and Services of Auxiliary Enterprises	1,910,821	-	-	1,910,821
Rental Income	719,095	-	-	719,095
Gain (Loss) on Sale of Land, Buildings and Equipment	4,019	117,174	-	121,193
Other Sources	367,713	6,216	-	373,929
Net Assets Released form Restrictions	4,300,939	(4,300,939)	-	-
Total Revenues, Gains and Other Support	15,867,979	(1,547,222)	-	14,320,757
OPERATING EXPENSES				
Instruction	4,917,572	-	-	4,917,572
Academic Support	1,435,498	-	-	1,435,498
Student Services	2,414,432	-	-	2,414,432
Institutional Support	3,548,820	-	-	3,548,820
Auxiliary Enterprises	1,673,642	-	-	1,673,642
Total Operating Expenses	13,989,964	-	-	13,989,964
Change in Net Assets from Operations	1,878,015	(1,547,222)	-	330,793
NONOPERATING ACTIVITIES				
Contributions	-	-	18,850	18,850
Net Investment Gain, Net of Spending Policy	-	3,973,968	-	3,973,968
Change in Value of Split-Interest Agreements	-	215,598	22,669	238,267
Net Assets Released from Restrictions	-	-	-	-
Total Nonoperating Activities	-	4,189,566	41,519	4,231,085
CHANGE IN NET ASSETS	1,878,015	2,642,344	41,519	4,561,878
Net Assets - Beginning of Year	14,683,084	6,630,104	27,971,539	49,284,727
NET ASSETS - END OF YEAR	$ 16,561,099	$ 9,272,448	$ 28,013,058	$ 53,846,605

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF ACTIVITIES (CONTINUED)
YEARS ENDED JUNE 30, 2011 AND 2010

	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
Loss on Sale of Land, Buildings and Equipment	(41,134)	-	-	(41,134)
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	14,428,130	(561,851)	-	13,866,279
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	78,934	(561,851)	-	(482,917)
NONOPERATING ACTIVITIES				
Contributions	-	-	31,826	31,826
Investment Gain, Net of Spending Policy	1,370,254	1,812,918	-	3,183,172
Change in Value of Split-Interest Agreements	-	(174,355)	29,879	(144,476)
Net Assets Released from Restrictions	109,269	(109,269)	-	-
Total Nonoperating Activities	1,479,523	1,529,294	61,705	3,070,522
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

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 4,561,878	$ 2,587,605
Adjustment to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	1,036,692	1,054,532
(Gain) Loss on Sale of Land, Buildings and Equipment	(121,193)	41,134
Contributions Restricted for Long-Term Investment	(18,850)	(31,826)
Net Realized and Unrealized (Gain) Loss on Investments	(6,459,479)	(4,236,515)
Change in Value of Split-Interest Agreements	(238,267)	144,476
Discount - Future Interest	(136,453)	-
(Increase) Decrease in Current Assets:		
Accounts Receivable	83,482	17,021
Inventories	(6,830)	14,769
Prepaid Expenses and Other Assets	52,181	18,851
Contributions Receivable	(45,076)	93,871
Increase (Decrease) in Current Liabilities:		
Accounts Payable	59,166	(25,456)
Accrued Expenses	3,942	105,713
Deposits	(6,431)	11,767
Environmental Remediation Liability	143,170	-
Deferred Revenue	23,326	77,227
Net Cash (Used) Provided by Operating Activities	(1,068,742)	(126,831)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	(561,385)	1,470,185
Payments for the Acquisition of Land, Buildings and Equipment	(1,515,437)	(330,376)
Proceeds from Sales of Split-Interest Agreements	1,045,000	-
Proceeds from Sales of Investments	7,182,757	3,240,409
Purchase of Investments	(3,963,714)	(2,740,901)
Net Cash Provided (Used) by Investing Activities	2,187,221	1,639,317
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(361,936)	(359,438)
Proceeds from Redemption of Split-Interest Agreement	132,350	275,767
Contributions Received Restricted for Long-Term Investment	18,850	31,826
Net Cash (Used) Provided by Financing Activities	(210,736)	(51,845)
INCREASE IN CASH AND CASH EQUIVALENTS	907,743	1,460,641
Cash and Cash Equivalents - Beginning of Year	4,639,258	3,178,617
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 5,547,001	$ 4,639,258
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	$ 203,566	$ 247,501
Noncash Investing and Financing Activities:		
Additions to Land, Buildings and Equipment	$ 2,440,437	$ 330,376
Less: Additions of Buildings through Redemption of Spilt-Interest Agreement	(925,000)	-
Total Payments for the Acquisition of Land, Buildings and Equipment	$ 1,515,437	$ 330,376

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. Contributions of works or 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, 2011 and 2010, the College received 48% and 36% 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 donor 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, 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 was reported at fair value based on an independent appraisal conducted at the date of the initial gift. In 2011, the life estate assets were sold, and the proceeds from sale were transferred to the College.

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, 2011 and 2010 was $498,004 and $811,131, 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 2008, 2009, and 2010 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.

Reclassifications

Certain reclassifications have been made to the June 30, 2010 financial statements in order to present them in conformity with the June 30, 2011 financial statements. These reclassifications had no effect on net assets as previously reported.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 27, 2011, the date the financial statements were issued.

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

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

	2011	2010
Purpose Restrictions:		
Instruction	$ 1,407,799	$ 1,428,246
Student Aid	4,319,652	1,613,332
Building and Equipment	458,859	534,531
Other Purpose Restrictions	2,396,069	1,724,874
Total Purpose Restrictions	8,582,379	5,300,983
Time Restrictions:		
Life Income Fund	581,086	505,929
Retained Life Estate	-	782,815
Contributions Receivable, Net	108,983	40,377
Total Time Restrictions	690,069	1,329,121
Total Temporarily Restricted Net Assets	$ 9,272,448	$ 6,630,104

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

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

	2011	2010
Instruction	$ 13,772,119	$ 13,763,238
Student Aid	6,430,101	6,418,233
Other	321,416	324,315
Interest in Split-Interest Agreements	254,283	231,614
Any Activities of the College	7,235,139	7,234,139
Total Permanently Restricted Net Assets	$ 28,013,058	$ 27,971,539

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, 2011 and 2010:

	2011	2010
Operating Purpose Restrictions:		
Instruction	$ 628,941	$ 418,385
Student Aid	1,679,786	93,638
Other	1,992,212	857,166
Subtotal	4,300,939	1,369,189
Time Restrictions	-	1,471,878
Total Temporarily Restricted Net Assets	$ 4,300,939	$ 2,841,067
Nonoperating Purpose Restriction - Plant	$ -	$ 109,269

NOTE 5 CASH AND CASH EQUIVALENTS

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

	2011	2010
Unrestricted	$ 4,764,165	$ 4,542,638
Temporarily Restricted	782,836	96,620
Total	$ 5,547,001	$ 4,639,258

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:

	2011	2010
Unconditional Promises Expected to be Collected in:		
Less than One Year	$ 72,000	$ 45,227
One Year to Five Years	40,000	20,000
Total	112,000	65,227
Less: Discount to Present Value at 6.0%	(3,017)	(1,320)
Total	$ 108,983	$ 63,907

NOTE 7 INVESTMENTS

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

	2011	2010
Short-Term Investments	$ 2,135,837	$ 3,433,164
Common Preferred Stocks	6,654,228	5,110,875
Foreign Equities	1,432,268	1,250,811
U.S. Government and Corporate Bonds	1,930,369	1,837,017
Total	$ 12,152,702	$ 11,631,867

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

	2011	2010
Interest and Dividends	$ 298,831	$ 309,955
Unrealized and Realized Gains (Losses)	2,253,626	1,108,020
Less: Investment Management Fees	(277,855)	(97,572)
Total	$ 2,274,602	$ 1,320,403

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, 2011 and 2010 was $22,779,009 and $20,059,408 respectively. Investment income (loss) from investment in limited partnerships for the years ended June 30 consists of the following:

	2011	2010
Interest and Dividends	$ 36,457	$ 118,152
Unrealized and Realized Gains	4,225,184	3,422,952
Less: Investment Management Fees	(974,275)	(224,335)
Total	$ 3,287,367	$ 3,316,769

Under the College's limited partnership agreements, the College had a total capital commitment outstanding of approximately $4.3 million at June 30, 2011. Cash restricted for long-term purposes within the endowment will be used to fund this capital commitment.

NOTE 9 INTEREST IN SPLIT-INTEREST AGREEMENTS

	2011	2010
Temporarily Restricted Primarily for General Operations		
Pooled Life-Income Funds:		
Short-Term Investments	$ 26,097	$ 19,083
Common Stocks	407,642	317,621
Corporate Bonds	238,637	249,333
U.S. Government Bonds	1,726	3,624
Total	674,102	589,661
Retained Life Estate	-	925,000
Total Temporarily Restricted	674,102	1,514,661
Permanently Restricted Primarily for General Operations		
Charitable Remainder Unitrust	254,283	231,614
Total Interest in Split-Interest Agreements	$ 928,385	$ 1,746,275

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.

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	2011	2010
Land and Other Nondepreciable Assets	-	623,522	$ 601,549
Artwork	-	312,250	312,250
Campus Grounds	15-40 Years	3,444,351	3,162,880
Buildings and Building Improvements	15-40 Years	22,320,439	21,413,032
Furniture, Fixtures, and Equipment	3-10 years	4,642,314	4,590,801
Library Books	7 years	461,199	417,213
Vehicles	5 years	450,846	445,605
Construction in Progress	-	-	81,789
Total		32,254,921	31,025,119
Less: Accumulated Depreciation		(12,885,796)	(12,134,739)
Net Land, Buildings, and Equipment		$ 19,369,125	$ 18,890,380

Depreciation expense charged to operations was $1,036,692 and $1,054,532 for the years ended June 30, 2011 and 2010, respectively.

During the year ended June 30, 2011, the College entered into a contract with American Construction, Inc. for various construction projects on the College's property. The total value of this contract is $494,804. As of June 30, 2011 the College had incurred a total of $297,732 of expenses related to this contract. As of June 30, 2011 the College had an outstanding commitment of $198,572 related to the remaining construction in this contract.

NOTE 11 LONG-TERM DEBT OBLIGATIONS

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

Description	2011	2010
$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, 2011), with a final payment due March 1, 2019; collateralized by a general revenue pledge.	$ 2,895,000	$ 3,195,000
$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.	2,854,574	2,916,510
Total	$ 5,749,574	$ 6,111,510

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

Year Ending June 30,	Amount
2012	$ 364,540
2013	382,253
2014	430,080
2015	433,028
2016	436,098
Thereafter	3,703,575
Total	$ 5,749,574

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. 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.

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, 2011, the balance in this reserve account was approximately $82,000, 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.

Interest Expense

Interest expense was $203,566 and $247,501 for the years ended June 30, 2011 and 2010, 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, 2011). At June 30, 2011 and 2010, 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, 2011 and 2010 have been determined by using, where practicable, appropriate valuation methodologies.

Due to the high turnover of receivables and timely servicing of short-term debt, the College determined that the estimated fair value of its accounts receivable and short-term borrowing approximates the gross carrying amounts at June 30, 2011 and 2010, 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, 2011 and 2010. The College further determined that the carrying amounts of all other financial assets and liabilities at June 30, 2011 and 2010 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, 2011 and 2010 was $124,323 and $131,419, 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, 2011 and 2010 was $206,007 and $203,549, 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, 2011 and 2010 were $13,516 and $17,917, respectively.

NOTE 15 FUNDRAISING EXPENSES

Fundraising costs for the years ended June 30, 2011 and 2010 were approximately $321,000 and $331,000, 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)

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:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ -	$ 8,758,409	$ 27,758,775	$ 36,517,184
Board Designated Endowment Funds	3,557,014	-	-	3,557,014
Total	$ 3,557,014	$ 8,758,409	$ 27,758,775	$ 40,074,198

	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

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:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, June 30, 2010	$ 2,727,466	$ 3,567,907	$ 27,739,925	$ 34,035,298
Investment Gain:				
Investment Income	-	349,917	-	349,917
Net Appreciation	22,534	6,428,585	-	6,451,119
Total Investment Gain	22,534	6,778,502	-	6,801,036
Contributions	-	-	18,850	18,850
Transfers to Create Board Designated Endowment	982,014	-	-	982,014
Appropriation of Endowment Assets for Expenditures	(175,000)	(1,588,000)	-	(1,763,000)
Endowment Net Assets, June 30, 2011	$ 3,557,014	$ 8,758,409	$ 27,758,775	$ 40,074,198

	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 Gain:				
Investment Income	-	456,825	-	456,825
Net Appreciation	1,407,073	2,548,690	-	3,955,763
Total Investment Gain	1,407,073	3,005,515	-	4,412,588
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

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- and $22,534 as of June 30, 2011 and 2010, 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 up to 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 2016.

Minimum future rentals to be received on noncancelable leases as of June 30, 2011, for each of the next five years are as follows:

Year Ending June 30,	Amount
2012	$ 387,130
2013	358,680
2014	336,807
2015	314,372
2016	135,436
Total	$ 1,532,425

Rental income from these leases was $388,184 and $289,955 for the years ended June 30, 2011 and 2010, 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:

	2011			
	Total	Level 1	Level 2	Level 3
Investments				
Short-term Investments	$ 2,135,837	$ 2,135,837	$ -	$ -
Common and Preferred Stocks	6,654,228	6,654,228	-	-
Foreign Equities	1,432,268	1,432,268	-	-
U.S. Government and Corporate Bonds	1,930,369	1,930,369	-	-
Total Investments	12,152,702	12,152,702	-	-
Investment in Limited Partnerships	22,779,009	-	6,627,780	16,151,229
Interest in Split-Interest Agreements				
Pooled Life Income Funds	674,102	674,102	-	-
Charitable Remainder Unitrust	254,283	-	-	254,283
Total Interest in Split-Interest Agreements	928,385	674,102	-	254,283

	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

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, 2011 and 2010:

	Investment in Limited Partnerships	Charitable Remainder Unitrust	2011 Total
Balances, Beginning of the Year	$ 14,944,363	$ 231,614	$ 15,175,977
Realized & Unrealized Investment Gains (Losses)	1,432,951	-	1,432,951
Purchases of Investments	1,776,710	-	1,776,710
Proceeds from Sale of Investments	(2,002,795)	-	(2,002,795)
Change in Value of Trusts	-	22,669	22,669
Balances, End of the Year	$ 16,151,229	$ 254,283	$ 16,405,512

	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

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, 2011:

	Net Asset Value	Unfunded Commitments	Redemption Notice Period
Hedge Funds			
Redemption Frequency:			
Monthly	$ 2,086,969	$ -	3 Days
Monthly	-	-	30 Days
Quarterly	4,540,811	1,000,000	45-60 Days
Semi-Annual (May and November)	1,318,732	500,000	-
Annual	1,663,032	-	90 Days
Annual	1,256,227	-	120 Days
	$ 10,865,771	$ 1,500,000	

The College also values its environmental remediation liability using a discounted cash flow approach. See note 19 for additional information.

NOTE 19 ENVIRONMENTAL REMEDIATION LIABILITY

During the fiscal year ending 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 $143,170 for the cost of removing the asbestos as of June 30, 2011. 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, 2011.