

CORPORATION OF MARLBORO COLLEGE

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEARS ENDED JUNE 30, 2016 AND 2015

**CORPORATION OF MARLBORO COLLEGE
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2016 AND 2015**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	25
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	27
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	31
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	32

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Corporation of Marlboro College, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporation of Marlboro College as of June 30, 2016 and 2015, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2016, on our consideration of Corporation of Marlboro College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation of Marlboro College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 16, 2016

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS	2016	2015
Cash and Cash Equivalents	\$ 3,251,627	\$ 5,260,913
Cash Restricted for Long-Term Purposes	3,568,147	2,466,550
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of \$24,887 in 2016 and \$63,875 in 2015	183,207	155,182
Inventories	93,021	161,752
Prepaid Expenses and Other Assets	162,259	55,264
Contributions Receivable	308,926	741,898
Grants Receivable	-	50
Investments	3,186,074	4,884,500
Investments - Alternative	28,356,882	32,008,767
Interest in Split-Interest Agreements	500,356	498,894
Land, Buildings, and Equipment, Net	22,353,987	20,327,248
Total Assets	\$ 61,964,486	\$ 66,561,018
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 684,615	\$ 405,204
Accrued Expenses	1,130,174	1,450,992
Deposits	144,821	286,426
Deferred Revenue	344,009	380,540
Discount for Future Interest	39,387	40,076
Environmental Remediation Liability	169,083	162,385
Long-Term Debt Obligations	3,898,970	4,139,237
Total Liabilities	6,411,059	6,864,860
NET ASSETS		
Unrestricted:		
Undesignated	16,920,073	14,303,506
Board Designated	-	761,806
Total Unrestricted	16,920,073	15,065,312
Temporarily Restricted	8,136,257	14,198,272
Permanently Restricted	30,497,097	30,432,574
Total Net Assets	55,553,427	59,696,158
Total Liabilities and Net Assets	\$ 61,964,486	\$ 66,561,018

See accompanying Notes to Financial statements.

**CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	\$ 8,613,734	\$ -	\$ -	\$ 8,613,734
Less Scholarships	(3,994,416)	-	-	(3,994,416)
Net Tuition and Fees	4,619,318	-	-	4,619,318
Federal Aid to Students	74,350	-	-	74,350
Public Support	164,362	-	-	164,362
Contributions	2,000,475	1,239,860	-	3,240,335
Interest Income from Cash and Cash Equivalents	7,572	130	-	7,702
Investment Income Available for Operations	-	2,037,385	-	2,037,385
Sales and Services of Auxiliary Enterprises	1,735,846	-	-	1,735,846
Rental Income	1,023,506	-	-	1,023,506
Loss on Sale of Land, Buildings, and Equipment	12,500	-	-	12,500
Loss on Sale of Contributed Securities	341	2,500	-	2,841
Other Sources	93,010	650	-	93,660
Net Assets Released from Restrictions	3,835,450	(3,835,450)	-	-
Total Revenues, Gains, and Other Support	13,566,730	(554,925)	-	13,011,805
OPERATING EXPENSES				
Instruction	5,062,617	-	-	5,062,617
Public Support	340,041	-	-	340,041
Academic Support	1,135,885	-	-	1,135,885
Student Services	2,506,677	-	-	2,506,677
Institutional Support	3,642,873	-	-	3,642,873
Auxiliary Enterprises	1,928,939	-	-	1,928,939
Total Operating Expenses	14,617,032	-	-	14,617,032
CHANGE IN NET ASSETS FROM OPERATIONS	(1,050,302)	(554,925)	-	(1,605,227)
NONOPERATING ACTIVITIES				
Contributions	-	123,250	64,523	187,773
Net Investment Income, Net of Spending Policy	130	(2,728,059)	-	(2,727,929)
Change in Value of Split-Interest Agreements	-	2,652	-	2,652
Net Assets Released from Restrictions	2,904,933	(2,904,933)	-	-
Total Nonoperating Activities	2,905,063	(5,507,090)	64,523	(2,537,504)
CHANGE IN NET ASSETS	1,854,761	(6,062,015)	64,523	(4,142,731)
Net Assets - Beginning of Year	15,065,312	14,198,272	30,432,574	59,696,158
NET ASSETS - END OF YEAR	<u>\$ 16,920,073</u>	<u>\$ 8,136,257</u>	<u>\$ 30,497,097</u>	<u>\$ 55,553,427</u>

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Tuition and Fees	\$ 9,056,981	\$ -	\$ -	\$ 9,056,981
Less Scholarships	(4,248,464)	-	-	(4,248,464)
Net Tuition and Fees	4,808,517	-	-	4,808,517
Federal Aid to Students	74,450	-	-	74,450
Public Support	112,551	-	-	112,551
Contributions	1,349,232	3,375,016	-	4,724,248
Interest Income from Cash and Cash Equivalents	7,327	-	-	7,327
Investment Income Available for Operations	-	2,114,102	-	2,114,102
Sales and Services of Auxiliary Enterprises	1,774,568	-	-	1,774,568
Rental Income	1,003,584	-	-	1,003,584
Loss on Sale of Land, Buildings, and Equipment	(27,988)	-	-	(27,988)
Loss on Sale of Contributed Securities	10,942	(16,729)	-	(5,787)
Other Sources	127,893	-	-	127,893
Net Assets Released from Restrictions	4,377,847	(4,377,847)	-	-
Total Revenues, Gains, and Other Support	13,618,923	1,094,542	-	14,713,465
OPERATING EXPENSES				
Instruction	5,357,965	-	-	5,357,965
Public Support	286,790	-	-	286,790
Academic Support	1,164,709	-	-	1,164,709
Student Services	2,506,868	-	-	2,506,868
Institutional Support	4,165,249	-	-	4,165,249
Auxiliary Enterprises	1,891,365	-	-	1,891,365
Total Operating Expenses	15,372,946	-	-	15,372,946
CHANGE IN NET ASSETS FROM OPERATIONS	(1,754,023)	1,094,542	-	(659,481)
NONOPERATING ACTIVITIES				
Contributions	-	438,945	1,061,896	1,500,841
Net Investment Income, Net of Spending Policy	-	(386,306)	-	(386,306)
Change in Value of Split-Interest Agreements	-	(6,777)	-	(6,777)
Net Assets Released from Restrictions	481,004	(481,004)	-	-
Reclassification of Net Assets	(10,950)	(300,000)	310,950	-
Total Nonoperating Activities	470,054	(735,142)	1,372,846	1,107,758
CHANGE IN NET ASSETS	(1,283,969)	359,400	1,372,846	448,277
Net Assets - Beginning of Year	16,349,281	13,838,872	29,059,728	59,247,881
NET ASSETS - END OF YEAR	\$ 15,065,312	\$ 14,198,272	\$ 30,432,574	\$ 59,696,158

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (4,142,731)	\$ 448,277
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	946,809	972,185
Loss on Sale of Land, Buildings, and Equipment	(12,500)	27,988
Contributions Restricted for Long-Term Purposes	(187,773)	(1,500,841)
Net Realized and Unrealized Gain on Investments	656,257	(1,936,086)
Change in Value of Split-Interest Agreements	(2,652)	6,777
Discount - Future Interest	(689)	(7,388)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(28,025)	58,783
Inventories	68,731	(740)
Prepaid Expenses and Other Assets	(106,995)	(5,550)
Contributions Receivable	432,972	(116,466)
Grants Receivable	50	(50)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	279,411	21,958
Accrued Expenses	(320,818)	365,216
Deposits	(141,605)	127,715
Environmental Remediation Liability	6,698	757
Deferred Revenue	(36,531)	(7,811)
Net Cash Used by Operating Activities	(2,589,391)	(1,545,276)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	(1,101,597)	(490,683)
Payments for the Acquisition of Land, Buildings, and Equipment	(2,961,048)	(2,097,496)
Proceeds from Sales of Investments	7,961,409	9,413,986
Purchase of Investments	(3,267,355)	(6,461,911)
Net Cash Provided by Investing Activities	631,409	363,896
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	1,400,000	-
Payments on Long-Term Debt	(1,640,267)	(433,463)
Proceeds from Redemption of Split-Interest Agreement	1,190	6,288
Contributions Received Restricted for Long-Term Purposes	187,773	1,500,841
Net Cash Provided (Used) by Financing Activities	(51,304)	1,073,666
DECREASE IN CASH AND CASH EQUIVALENTS	(2,009,286)	(107,714)
Cash and Cash Equivalents - Beginning of Year	5,260,913	5,368,627
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,251,627	\$ 5,260,913
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 142,581	\$ 155,692

See accompanying Notes to Financial statements.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

In order to fully support the College's strategic enrollment and retention plan that commenced with the 2013-14 academic year, the President and Board of Trustees have made a deliberate decision to make necessary investments in financial aid, programs and physical plant infrastructure. As a result, and in order to build enrollment, the College began to direct operating funds and investment assets toward improving the institutional enterprise, resulting in deficits. The institution completed its self-study for the ten year accreditation process by the New England Association of Schools and Colleges (NEASC) in advance of a visit by a NEASC team in December 2014. NEASC issued an acceptance of Marlboro's report in March 2015. The report identified that the College has utilized accumulated surpluses in each of the past two years to offset the impact of decreasing enrollment and tuition revenue. This practice continued in the academic year 2015-16. The College continues to closely track its enrollment targets, and the effect of strategic spending on enrollment statistics.

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.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

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

During the years ended June 30, 2016 and 2015, the College received 31% and 45% of its contributions from one donor, respectively. 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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Recoveries of receivables previously written off are recorded when received. All accounts receivable are unsecured.

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

Inventories

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

Investments

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

Split-Interest Agreements

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

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment

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

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

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, 2016 and 2015 was \$348,230 and \$432,821, respectively.

Deposits and Deferred Revenue

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

Tax Status

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

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

Use of Estimates

The presentation of financial statements in conformity with 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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Risks and Uncertainties

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

Reclassifications

Certain reclassifications have been made to the June 30, 2015 financial statements in order to present them in conformity with the June 30, 2016 financial statements. These reclassifications had no effect on net assets as previously reported.

Early Adoption of Accounting Principle

In May 2015 the Financial Accounting Standards Board issued Accounting Standard Update No. 2015-07, Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent), (ASU 2015-07). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The College adopted ASU 2015-07 for the June 30, 2016 reporting period. The adoption had no effect on the financial statements but removed the disclosures described above as of June 30, 2016 and 2015.

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through December 16, 2016, the date the financial statements were issued.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Purpose Restrictions:		
Instruction	\$ 1,040,962	\$ 1,411,676
Student Aid	1,221,763	951,593
Building and Equipment	726,827	3,612,746
Other Purpose Restrictions	4,402,241	6,981,465
Total Purpose Restrictions	<u>7,391,793</u>	<u>12,957,480</u>
Time Restrictions:		
Life Income Fund	434,407	498,894
Contributions Receivable, Net	310,057	741,898
Total Time Restrictions	<u>744,464</u>	<u>1,240,792</u>
 Total Temporarily Restricted Net Assets	 <u><u>\$ 8,136,257</u></u>	 <u><u>\$ 14,198,272</u></u>

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Instruction	\$ 14,478,000	\$ 14,474,747
Student Aid	7,052,935	6,992,166
Other	1,425,490	1,424,991
Any Activities of the College	7,540,672	7,540,670
Total Permanently Restricted Net Assets	<u><u>\$ 30,497,097</u></u>	<u><u>\$ 30,432,574</u></u>

NOTE 4 NET ASSETS RELEASED FROM RESTRICTIONS

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

	<u>2016</u>	<u>2015</u>
Operating Purpose Restrictions:		
Instruction	\$ 574,827	\$ 704,608
Student Aid	128,793	152,052
Other	3,072,750	3,096,187
Subtotal	<u>3,776,370</u>	<u>3,952,847</u>
Time Restrictions	<u>59,080</u>	<u>425,000</u>
Total Temporarily Restricted Net Assets	<u><u>\$ 3,835,450</u></u>	<u><u>\$ 4,377,847</u></u>
Nonoperating Purpose Restriction - Plant	<u><u>\$ 2,904,933</u></u>	<u><u>\$ 481,004</u></u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 CASH AND CASH EQUIVALENTS

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

	2016	2015
Unrestricted	\$ 571,857	\$ 634,883
Cash Held as Collateral (Note 12)	1,400,000	-
Temporarily Restricted	1,279,770	4,626,030
Total	\$ 3,251,627	\$ 5,260,913

NOTE 6 CONTRIBUTIONS RECEIVABLE

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

	2016	2015
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 203,869	\$ 540,267
One Year to Five Years	110,000	210,000
Total	313,869	750,267
Less Discount to Present Value at 6.0%	(4,943)	(8,369)
Total	\$ 308,926	\$ 741,898

NOTE 7 ACCOUNTS RECEIVABLE

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

	2016	2015
120 Days Past Due	\$ 62,792	\$ 102,719
Total Past Due	\$ 62,792	\$ 102,719

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

	2016	2015
Allowance for Doubtful Accounts, Beginning	\$ 63,875	\$ 69,882
Bad Debt Collections (Writeoffs)	(56,988)	(24,007)
Bad Debt Expense	18,000	18,000
Allowance for Doubtful Accounts, Ending	\$ 24,887	\$ 63,875

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Short-Term Investments	\$ 544,376	\$ 808,303
Common Stocks	2,318,803	3,871,502
Mutual Funds	34,725	152,570
U.S. Government and Corporate Bonds	288,170	52,125
Total	<u>\$ 3,186,074</u>	<u>\$ 4,884,500</u>

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

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 62,863	\$ 70,221
Unrealized and Realized Gains	(95,576)	103,771
Less Investment Management Fees	(29,373)	(30,957)
Net Investment Gains	<u>\$ (62,086)</u>	<u>\$ 143,035</u>

NOTE 9 INVESTMENT - ALTERNATIVE

Alternative investments are carried at the College's proportional share of the fair value of the net asset value of the total fund. The balance of alternative investments at June 30, 2016 and 2015 was \$28,356,882 and \$32,008,767 respectively. Investment income (loss) from alternative investments for the years ended June 30 consists of the following:

	<u>2016</u>	<u>2015</u>
Interest and Dividends	\$ 196,137	\$ 260,187
Unrealized and Realized Gains	(560,681)	1,832,315
Less Investment Management Fees	(265,899)	(508,067)
Total	<u>\$ (630,443)</u>	<u>\$ 1,584,435</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 10 INTEREST IN SPLIT-INTEREST AGREEMENTS

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

	<u>2016</u>	<u>2015</u>
Temporarily Restricted Primarily for General Operations		
Pooled Life-Income Funds:		
Short-Term Investments	\$ 18,073	\$ 35,344
Common Stocks	257,888	242,026
Corporate Bonds	749	-
U.S. Government Bonds	223,646	221,524
Total Interest in Split-Interest Agreements	<u>\$ 500,356</u>	<u>\$ 498,894</u>

NOTE 11 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>Estimated Useful Lives</u>	<u>2016</u>	<u>2015</u>
Land and Other Nondepreciable Assets	-	\$ 1,373,289	\$ 1,373,289
Artwork	-	331,677	330,927
Campus Grounds	15-40 Years	3,709,508	3,707,442
Buildings and Building Improvements	15-40 Years	24,446,337	24,436,185
Furniture, Fixtures, and Equipment	3-10 years	3,690,108	3,666,460
Library Books	7 years	719,307	674,085
Vehicles	5 years	535,151	516,593
Construction in Progress	-	3,688,935	886,595
Total		<u>38,494,312</u>	<u>35,591,576</u>
Less Accumulated Depreciation		<u>(16,140,325)</u>	<u>(15,264,328)</u>
Net Land, Buildings, and Equipment		<u>\$ 22,353,987</u>	<u>\$ 20,327,248</u>

Depreciation expense charged to operations was \$946,809 and \$972,185 for the years ended June 30, 2016 and 2015, respectively.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 12 LONG-TERM DEBT OBLIGATIONS

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

<u>Description</u>	<u>2016</u>	<u>2015</u>
\$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 (2.787% at June 30, 2014), with a final payment due March 1, 2019; collateralized by a general revenue pledge.	\$ -	\$ 1,560,000
\$1,400,000 TD Bank Term Note with interest payable at a rate of 2.05%. Interest only for the period May 19, 2016 through October 19, 2016. Principal and interest is due in monthly installments of \$7,116 commencing November 19, 2016 through maturity on April 19, 2021. The term note is collateralized by a cash held in a separate bank account (Note 5).	1,395,698	-
\$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.	<u>2,503,272</u>	<u>2,579,237</u>
Total	<u>\$ 3,898,970</u>	<u>\$ 4,139,237</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 117,372
2018	140,727
2019	145,404
2020	150,253
2021	1,273,186
Thereafter	<u>2,072,028</u>
Total	<u>\$ 3,898,970</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 LONG-TERM DEBT OBLIGATIONS (CONTINUED)

The College is required to maintain a reserve account in conjunction with the RD mortgage, which shall be used for repairs or replacements for any damages that are not covered by insurance, improvements to the facility that have been approved by the RD, or to fund any short falls in the debt service account when the principal and interest is due. The College shall transfer \$1,509 per month until there is an accumulated sum of \$181,080, after which no further transfers need to be made except to replace withdrawals. At June 30, 2016, the balance in this reserve account was approximately \$173,000, which is included in cash and cash equivalents in the statement of financial position. Insurance coverage over fire, public liability, vehicular public liability, workers' compensation, medical malpractice and builder's risk insurance must be maintained throughout the term of the mortgage. At June 30, 2016, management believes that the College is in compliance with all covenant requirements.

Interest Expense

Interest expense was \$142,581 and \$155,692 for the years ended June 30, 2016 and 2015, 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, 2016 and 2015). At June 30, 2016 and 2015, there were no amounts outstanding under the line of credit agreement.

NOTE 13 FACULTY TERMINATION AGREEMENT

In June 1990, the College entered into an agreement with its existing faculty whereby each faculty member would be paid an additional two months' salary at the then existing salary rate upon termination of employment with the College. Included in accrued expenses at June 30, 2016 and 2015 was \$56,025 and \$54,919, respectively, related to this agreement.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, 2016 and 2015 was \$222,619 and \$226,112, respectively.

The College adopted a defined contribution retiree healthcare plan effective July 1, 2007. All employees who have attained the age of 40 and have completed one year of service are eligible. The College contributes \$20.65 monthly to those eligible during their employment, as defined, and employees may make additional voluntary contributions. The College's contributions to the retiree healthcare plan for the years ended June 30, 2016 and 2015 were \$16,505 and \$18,419, respectively.

NOTE 15 FUNDRAISING EXPENSES

Fundraising costs for each of the years ended June 30, 2016 and 2015 were approximately \$300,000, and are included in institutional support expense.

NOTE 16 ENDOWMENT

The College's endowment consists of funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by 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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

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 is as follows:

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ (3,692)	\$ 4,616,027	\$ 30,497,033	\$ 35,109,368
Total	<u>\$ (3,692)</u>	<u>\$ 4,616,027</u>	<u>\$ 30,497,033</u>	<u>\$ 35,109,368</u>

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor Restricted Endowment Funds	\$ -	\$ 8,038,521	\$ 30,431,509	\$ 38,470,030
Board Designated Endowment Funds	761,806	-	-	761,806
Total	<u>\$ 761,806</u>	<u>\$ 8,038,521</u>	<u>\$ 30,431,509</u>	<u>\$ 39,231,836</u>

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

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, June 30, 2015	\$ 761,806	\$ 8,038,521	\$ 30,431,509	\$ 39,231,836
Investment Gain:				
Investment Income	-	268,854	-	268,854
Net Depreciation	(3,692)	(952,279)	-	(955,971)
Total Investment Gain	<u>(3,692)</u>	<u>(683,424)</u>	-	<u>(687,116)</u>
Contributions	-	-	65,524	65,524
Appropriation of Endowment Assets for Expenditures	<u>(761,806)</u>	<u>(2,739,070)</u>	-	<u>(3,500,876)</u>
Endowment Net Assets, June 30, 2016	<u>\$ (3,692)</u>	<u>\$ 4,616,027</u>	<u>\$ 30,497,033</u>	<u>\$ 35,109,368</u>

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 16 ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment Net Assets, June 30, 2014	\$ 2,807,001	\$ 8,555,056	\$ 29,058,727	\$ 40,420,784
Investment Gain:				
Investment Income	-	329,873	-	329,873
Net Appreciation	-	1,397,609	-	1,397,609
Total Investment Gain	-	1,727,482	-	1,727,482
Contributions	-	300,000	1,072,782	1,372,782
Net Asset Transfers	-	(300,000)	300,000	-
Appropriation of Endowment Assets for Expenditures	(2,045,195)	(2,244,016)	-	(4,289,211)
Endowment Net Assets, June 30, 2015	<u>\$ 761,806</u>	<u>\$ 8,038,521</u>	<u>\$ 30,431,509</u>	<u>\$ 39,231,836</u>

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 \$3,692 and \$-0- as of June 30, 2016 and 2015, respectively.

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.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 16 ENDOWMENT (CONTINUED)

Spending Policy

The College has a policy of appropriating for distribution each year 5.0% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end proceeding the fiscal year in which the distribution is planned. For the fiscal year ended June 30, 2016 and 2015, the Board approved appropriations of 5.75%. In 2016, the board approved additional spending from the quasi-endowment (\$761,806) and up to 9% on the portion of the endowment donor restricted. The actual spend over the approved 5.75% for donor restricted endowment was approximately \$570,000. In 2015, the board approved additional expenditures from the College's quasi-endowment in the amount of \$2,045,195. For both 2016 and 2015 the additional spend on the endowment was for strategic initiatives and so support operations. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the 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 2021.

Minimum future rentals to be received on noncancelable leases as of June 30, 2016, for each of the next five years are as follows:

<u>Year Ending June 30.</u>	<u>Amount</u>
2017	\$ 468,797
2018	346,054
2019	261,185
2020	208,134
2021	193,515
Total	<u>\$ 1,477,685</u>

Rental income from these leases was \$668,392 and \$671,408 for the years ended June 30, 2016 and 2015, respectively.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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:

	2016				Measured at NAV
	Total	Level 1	Level 2	Level 3	
Investments					
Short-term Investments	\$ 544,376	\$ 544,376	\$ -	\$ -	\$ -
Common Stocks	2,318,803	2,318,803	-	-	-
Mutual Funds	34,725	34,725	-	-	-
U.S. Government and Corporate Bonds	288,170	288,170	-	-	-
Total Investments	<u>3,186,074</u>	<u>3,186,074</u>	-	-	-
Investments - Alternative	28,356,882	-	-	-	28,356,882
Interest in Split-Interest Agreements					
Short-term Investments	18,073	18,073	-	-	-
Common Stocks	257,888	257,888	-	-	-
U.S. Government and Corporate Bonds	224,395	224,395	-	-	-
Total Interest in Split-Interest Agreements	<u>\$ 500,356</u>	<u>\$ 500,356</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

	2015				Measured at NAV
	Total	Level 1	Level 2	Level 3	
Investments					
Short-term Investments	\$ 808,303	\$ 808,303	\$ -	\$ -	\$ -
Common Stocks	3,871,502	3,871,502	-	-	-
Mutual Funds	152,570	152,570	-	-	-
U.S. Government and Corporate Bonds	52,125	52,125	-	-	-
Total Investments	<u>4,884,500</u>	<u>4,884,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
Investments - Alternative	32,008,767	-	-	-	32,008,767
Interest in Split-Interest Agreements					
Short-term Investments	35,344	35,344	-	-	-
Common Stocks	242,026	242,026	-	-	-
U.S. Government and Corporate Bonds	221,524	221,524	-	-	-
Total Interest in Split-Interest Agreements	<u>\$ 498,894</u>	<u>\$ 498,894</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

	2016						Days Notice
	Net Asset Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	
Investments - Alternative							
U.S. Equities	\$ 1,887,085	\$ -	\$ -	\$ 1,887,085	\$ -	\$ -	45 Days
Non-U.S. Equities	8,572,258	772,311	1,658,954	4,680,145	1,460,848	-	6 - 90 Days
Marketable Alternatives	5,055,771	-	-	-	5,055,771	-	60 - 90 Days
Real Assets	898,136	-	-	-	4,291	893,845	Annual/Illiquid
Opportunistic	6,660,739	-	-	3,018,802	-	3,641,937	90 Days/Illiquid
Private Equity Funds	5,282,893	-	-	-	-	5,282,893	Illiquid
	<u>\$ 28,356,882</u>	<u>\$ 772,311</u>	<u>\$ 1,658,954</u>	<u>\$ 9,586,032</u>	<u>\$ 6,520,910</u>	<u>\$ 9,818,675</u>	

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

	Net Asset Value	2015					Days Notice
		Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	
Investments - Alternative							
U.S. Equities	\$ 5,266,083	\$ 1,771,101	\$ -	\$ 3,494,982	\$ -	\$ -	45 Days
Non-U.S. Equities	10,576,788	-	3,429,686	2,589,234	4,557,868	-	6 - 90 Days
Marketable Alternatives	5,501,467	-	-	-	5,501,467	-	60 - 90 Days
Real Assets	1,034,730	-	-	-	193,615	841,115	Annual/Illiquid
Opportunistic	5,367,195	-	-	3,013,914	-	2,353,281	90 Days/Illiquid
Private Equity Funds	4,262,504	-	-	-	-	4,262,504	Illiquid
	<u>\$ 32,008,767</u>	<u>\$ 1,771,101</u>	<u>\$ 3,429,686</u>	<u>\$ 9,098,130</u>	<u>\$ 10,252,950</u>	<u>\$ 7,456,900</u>	

At June 30, 2016, the College's outstanding commitments to certain alternative investments total \$4,039,932. The following is a summary of capital commitments by investment category as of June 30, 2016:

	Unfunded Commitments
Investments - Alternative	
Real Assets	\$ 186,551
Opportunistic	170,687
Private Equity Funds	3,682,694
	<u>\$ 4,039,932</u>

NOTE 19 ENVIRONMENTAL REMEDIATION LIABILITIES

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 \$169,083 and \$162,385 for the cost of removing the asbestos as of June 30, 2016 and 2015, respectively. It is reasonably possible that the amount of the estimated liability could change in the near term. The date of removal is undetermined as of June 30, 2016.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Corporation of Marlboro College, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 16, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



CliftonLarsonAllen LLP

Boston, Massachusetts
December 16, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on Compliance for Each Major Federal Program

We have audited Corporation of Marlboro College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corporation of Marlboro College's major federal programs for the year ended June 30, 2016. Corporation of Marlboro College's federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Corporation of Marlboro College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Corporation of Marlboro College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Corporation of Marlboro College's compliance.

Opinion on Each Major Federal Program

In our opinion Corporation of Marlboro College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of Corporation of Marlboro College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Corporation of Marlboro College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Corporation of Marlboro College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-001 that we consider to be a significant deficiency.

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

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

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

We have audited the financial statements of Corporation of Marlboro College as of and for the year ended June 30, 2016, and have issued our report thereon dated December 16, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 16, 2016

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education		
Student Financial Aid Cluster:		
Federal Supplemental Educational Opportunity Grant program (FSEOG)	84.007	\$ 67,229
Federal Direct Loan Program	84.268	1,925,711
Federal Work Study Program (FWS)	84.033	74,400
Federal Pell Grant program (PELL)	84.063	329,752
Total U.S. Department of Education		<u>2,397,092</u>
Total Expenditures of Federal Awards		<u>\$ 2,397,092</u>

**CORPORATION OF MARLBORO COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2016**

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Corporation of Marlboro College under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Corporation of Marlboro College, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Corporation of Marlboro College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 FEDERAL STUDENT LOAN PROGRAMS

The federal student loan programs listed subsequently are administered directly by Corporation of Marlboro College, and balances and transactions relating to these programs are included in Corporation of Marlboro College's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. New loans made by Corporation of Marlboro College in 2016 are as follows:

<i>Program Title</i>	<i>CFDA Number</i>	<i>Amount Outstanding</i>
Federal Direct Loan Program	84.268	\$1,925,711

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

4. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
5. Type of auditors’ report issued on compliance for major federal programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

Various

Name of Federal Program or Cluster

Student Financial Aid Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Programs

2016-001: NSLDS Reporting

Federal Agency: Department of Education

Federal Program: Title: Student Financial Assistance Cluster

CFDA Numbers: 84.007 – Federal Supplemental Education Opportunity Grants
84.033 – Federal Work Study Program
84.063 – Federal Pell Grant Program
84.268 – Federal Direct Student Loans

Award Period: July 1, 2015 to June 30, 2016

Type of Finding: Significant Deficiency in Internal Control and Compliance

Criteria: The Code of Federal Regulations, 34 CFR 685.309 requires that enrollment status changes for students be reported to NSLDS within 30 days or within 60 days if the student with the status change will be reported on a scheduled transmission within 60 days of the change in status. Regulations require the status include an accurate effective date. In addition, regulations require that an institution make necessary corrections and return the records within 10 days for any roster files that don't pass the NSLDS enrollment reporting edits.

Condition: During our testing, we selected a sample of students to test for timeliness of reporting student status changes to the National Student Loan Data System (NSLDS). During our testing, we noted that the rosters returned yielded error reports that were not corrected and resubmitted within the required 10 days.

This issue occurred at the majority of colleges and universities in the U.S. during 2016, attributable to a processing error within the National Student Clearinghouse and the NSLDS websites. The U.S. Department of Education is aware of this processing error and institutions around the country utilizing the National Student Clearinghouse are also facing this same issue and have the same finding. This processing error is not within a computer system in the control of the College; nevertheless, the College initiated on-going discussions with the National Student Clearinghouse IT staff to determine ways to mitigate the effects of the error. While it is difficult to eliminate all errors, it is possible for colleges and universities to create an Enrollment Reporting Summary Report after reporting student status changes on NSLDS, which can help to detect these types of errors. The Summary Report must then be reviewed by college financial aid staff and errors must be corrected manually.

Questioned Costs: None.

Cause: Records were not returned within 10 days for any roster files that did not pass the NSLDS enrollment reporting edits.

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Effect: The NSLDS system is not updated with the student information which can cause over awarding should the student transfer to another institution and the students may not properly enter the repayment period.

Repeat Finding: Yes, prior year finding 2015-001.

Recommendation: We recommend that the College review its reporting procedures to ensure that students' statuses are accurately and timely reported to NSLDS as required by regulations.

Management Response and Corrective Action Plan: We agree with this finding and have amended procedures to keep back-up records in the case of further errors within the National Student Clearinghouse and the NSLDS websites, such as the processing delay we were notified about by Clearinghouse on November 6, 2015. We are now coordinating with our Director of Financial Aid who, as Destination Point Administrator, will be ordering an Enrollment Reporting Summary Report from NSLDS fifteen days after each enrollment report we submit in order to verify that our enrollment records were delivered to NSLDS. Any remaining errors will then be corrected manually. The registrar's office was also given access to the NSLDS website in order to be able to check that records were updated in a timely manner.

Section IV – Prior Year Major Federal Program Findings

2015-001: NSLDS Reporting

See current year finding 2016-001.

Reason for finding's recurrence: Marlboro College regrets that this has been a repeated finding due to continued problems with notification from the Clearinghouse combined with change in staff in the Registrar's office. We expect the Enrollment Reporting Summary Report to address both the Clearinghouse issues and any potential staff turnover as it will provide a systematic check on all reporting between the Clearinghouse and NSLDS and will involve a second office at the College, the Financial Aid Office, in ensuring timely delivery of reports to the NSLDS.