

CORPORATION OF MARLBORO COLLEGE

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEARS ENDED JUNE 30, 2017 AND 2016

**CORPORATION OF MARLBORO COLLEGE
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on the Financial Statements

We have audited the accompanying financial statements of Corporation of Marlboro College, which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

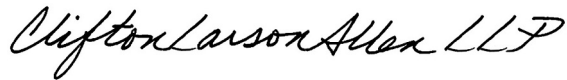
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017 and 2016, the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2017, on our consideration of Corporation of Marlboro College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Corporation of Marlboro College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Corporation of Marlboro College's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
October 24, 2017

CORPORATION OF MARLBORO COLLEGE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 2,229,961	\$ 3,251,627
Cash Restricted for Long-Term Purposes	1,078,101	3,568,147
Accounts Receivable, Trade, Less Allowance for Doubtful Accounts of \$33,593 in 2017 and \$24,887 in 2016	265,799	183,207
Inventories	92,823	93,021
Prepaid Expenses and Other Assets	80,550	162,259
Contributions Receivable	487,704	308,926
Investments	3,498,314	3,186,074
Investments - Alternative	32,916,743	28,356,882
Interest in Split-Interest Agreements	514,335	500,356
Land, Buildings, and Equipment, Net	21,988,912	22,353,987
Total Assets	\$ 63,153,242	\$ 61,964,486
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable	\$ 496,389	\$ 684,615
Accrued Expenses	943,269	1,130,174
Deposits	154,012	144,821
Deferred Revenue	348,404	344,009
Discount for Future Interest	37,519	39,387
Environmental Remediation Liability	176,058	169,083
Long-Term Debt Obligations	3,890,319	3,898,970
Total Liabilities	6,045,970	6,411,059
NET ASSETS		
Unrestricted	16,483,218	16,920,073
Temporarily Restricted	9,568,258	8,136,257
Permanently Restricted	31,055,796	30,497,097
Total Net Assets	57,107,272	55,553,427
Total Liabilities and Net Assets	\$ 63,153,242	\$ 61,964,486

See accompanying Notes to Financial statements.

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

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

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
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 (Loss), 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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,553,845	\$ (4,142,731)
Adjustment to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	997,320	946,809
Loss on Sale of Land, Buildings, and Equipment	-	(12,500)
Acquisition of Guaranteed Note Payable	109,821	-
Contributions Restricted for Long-Term Purposes	(773,699)	(187,773)
Net Realized and Unrealized Gain on Investments	(5,286,321)	656,257
Change in Value of Split-Interest Agreements	(15,899)	(2,652)
Discount - Future Interest	(1,868)	(689)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(82,592)	(28,025)
Inventories	198	68,731
Prepaid Expenses and Other Assets	81,709	(106,995)
Contributions Receivable	(178,778)	432,972
Grants Receivable	-	50
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(188,226)	279,411
Accrued Expenses	(186,905)	(320,818)
Deposits	9,191	(141,605)
Environmental Remediation Liability	6,975	6,698
Deferred Revenue	4,395	(36,531)
Net Cash Used by Operating Activities	(3,950,834)	(2,589,391)
CASH FLOWS FROM INVESTING ACTIVITIES		
Change in Cash Restricted for Long-Term Purposes	2,490,046	(1,101,597)
Payments for the Acquisition of Land, Buildings, and Equipment	(632,245)	(2,961,048)
Proceeds from Sales of Investments	(1,047,344)	7,961,409
Purchase of Investments	1,461,564	(3,267,355)
Net Cash Provided by Investing Activities	2,272,021	631,409
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Issuance of Long-Term Debt	1,370,000	1,400,000
Payments on Long-Term Debt	(1,488,472)	(1,640,267)
Proceeds from Redemption of Split-Interest Agreement	1,920	1,190
Contributions Received Restricted for Long-Term Purposes	773,699	187,773
Net Cash Provided (Used) by Financing Activities	657,147	(51,304)
DECREASE IN CASH AND CASH EQUIVALENTS	(1,021,666)	(2,009,286)
Cash and Cash Equivalents - Beginning of Year	3,251,627	5,260,913
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,229,961	\$ 3,251,627
SUPPLEMENTAL DISCLOSURES		
Cash Paid for Interest	\$ 101,624	\$ 142,581

See accompanying Notes to Financial statements.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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 2016-17. 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, 2017 AND 2016

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, 2017 and 2016, the College received 57% and 60% of its contributions from two donors, 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, 2017 AND 2016

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, 2017 AND 2016

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, 2017 and 2016 was \$251,649 and \$348,231, respectively.

Deposits and Deferred Revenue

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

Tax Status

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

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

Use of Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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

Risks and Uncertainties

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

Subsequent Events

In preparing these financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 24, 2017, the date the financial statements were issued.

NOTE 2 TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Purpose Restrictions:		
Instruction	\$ 996,546	\$ 1,040,962
Student Aid	865,091	1,221,763
Building and Equipment	511,561	726,827
Other Purpose Restrictions	6,251,777	4,402,241
Total Purpose Restrictions	8,624,975	7,391,793
Time Restrictions:		
Life Income Fund	450,579	434,407
Contributions Receivable, Net	492,704	310,057
Total Time Restrictions	943,283	744,464
 Total Temporarily Restricted Net Assets	 \$ 9,568,258	 \$ 8,136,257

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 3 PERMANENTLY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Instruction	\$ 14,982,334	\$ 14,478,000
Student Aid	7,107,301	7,052,935
Other	1,425,489	1,425,490
Any Activities of the College	<u>7,540,672</u>	<u>7,540,672</u>
Total Permanently Restricted Net Assets	<u>\$ 31,055,796</u>	<u>\$ 30,497,097</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>2017</u>	<u>2016</u>
Operating Purpose Restrictions:		
Instruction	\$ 476,573	\$ 574,827
Student Aid	143,698	128,793
Other	<u>4,090,360</u>	<u>3,072,750</u>
Subtotal	4,710,631	3,776,370
Time Restrictions	<u>92,500</u>	<u>59,080</u>
Total Temporarily Restricted Net Assets	<u>\$ 4,803,131</u>	<u>\$ 3,835,450</u>
Nonoperating Purpose Restriction - Plant	<u>\$ 175,969</u>	<u>\$ 2,904,933</u>

NOTE 5 CASH AND CASH EQUIVALENTS

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

	<u>2017</u>	<u>2016</u>
Unrestricted	\$ 138,123	\$ 571,857
Cash Held as Collateral (Note 12)	1,370,000	1,400,000
Temporarily Restricted	<u>721,838</u>	<u>1,279,770</u>
Total	<u>\$ 2,229,961</u>	<u>\$ 3,251,627</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 6 CONTRIBUTIONS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
Unconditional Promises Expected to be Collected in:		
Less than One Year	\$ 423,500	\$ 203,869
One Year to Five Years	65,000	110,000
Total	<u>488,500</u>	<u>313,869</u>
Less Discount to Present Value at 1.24%	(796)	(4,943)
Total	<u>\$ 487,704</u>	<u>\$ 308,926</u>

NOTE 7 ACCOUNTS RECEIVABLE

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

	<u>2017</u>	<u>2016</u>
120 Days Past Due	<u>\$ 117,765</u>	<u>\$ 62,792</u>
Total Past Due	<u>\$ 117,765</u>	<u>\$ 62,792</u>

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

	<u>2017</u>	<u>2016</u>
Allowance for Doubtful Accounts - Beginning of Year	\$ 24,887	\$ 63,875
Bad Debt Collections (Write-offs)	(9,294)	(56,988)
Bad Debt Expense	18,000	18,000
Allowance for Doubtful Accounts - End of Year	<u>\$ 33,593</u>	<u>\$ 24,887</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 8 INVESTMENTS

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

	<u>2017</u>	<u>2016</u>
Short-Term Investments	\$ 1,027,518	\$ 544,376
Common Stocks	2,230,524	2,318,803
Mutual Funds	-	34,725
U.S. Government and Corporate Bonds	240,272	288,170
Total	<u>\$ 3,498,314</u>	<u>\$ 3,186,074</u>

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

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 80,811	\$ 62,863
Unrealized and Realized Gains (Losses)	261,559	(95,576)
Less Investment Management Fees	(30,130)	(29,373)
Net Investment Gains (Losses)	<u>\$ 312,240</u>	<u>\$ (62,086)</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, 2017 and 2016 was \$32,916,743 and \$28,356,882, respectively. Investment income (loss) from alternative investments for the years ended June 30 consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and Dividends	\$ 9,365	\$ 196,137
Unrealized and Realized Gains (Losses)	5,024,762	(560,681)
Less Investment Management Fees	(448,782)	(265,899)
Net Investment Gains (Losses)	<u>\$ 4,585,345</u>	<u>\$ (630,443)</u>

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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.

	2017	2016
Temporarily Restricted Primarily for General Operations		
Pooled Life-Income Funds:		
Short-Term Investments	\$ 18,701	\$ 18,073
Common Stocks	269,401	257,888
Corporate Bonds	-	749
U.S. Government Bonds	226,233	223,646
Total Interest in Split-Interest Agreements	\$ 514,335	\$ 500,356

NOTE 11 LAND, BUILDINGS, AND EQUIPMENT

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

	Estimated Useful Lives	2017	2016
Land and Other Nondepreciable Assets	-	\$ 1,440,654	\$ 1,373,289
Artwork	-	339,883	331,677
Campus Grounds	15-40 Years	3,767,608	3,709,508
Buildings and Building Improvements	15-40 Years	28,480,573	24,446,337
Furniture, Fixtures, and Equipment	3-10 years	3,697,638	3,690,108
Library Books	7 years	752,523	719,307
Vehicles	5 years	456,404	535,151
Construction in Progress	-	-	3,688,935
Total		38,935,283	38,494,312
Less Accumulated Depreciation		(16,946,371)	(16,140,325)
Net Land, Buildings, and Equipment		\$ 21,988,912	\$ 22,353,987

Depreciation expense charged to operations was \$997,320 and \$946,809 for the years ended June 30, 2017 and 2016, respectively.

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

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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>2017</u>	<u>2016</u>
<p>\$109,821 Vermont Economic Development Authority term note with interest payable at a rate of 4.25%. Interest and principal payable in monthly installments of \$4,781 commencing May 15, 2017 through maturity on April 15, 2019.</p>	\$ 101,021	\$ -
<p>\$1,370,000 People's United Bank Note with interest payable at a rate of 2.00%. Principal and interest payable in monthly installments commencing May 18, 2017 through maturity on May 18, 2022. The term note is collateralized by a cash held in a separate bank account (Note 5).</p>	1,365,334	-
<p>\$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 was due in monthly installments of \$7,116 commencing November 19, 2016 through maturity on April 19, 2021. The term note was collateralized by a cash held in a separate bank account (Note 5). This note was repaid on May 18, 2017 with proceeds from the \$1,370,000 People's United Bank Note above.</p>	-	1,395,698
<p>\$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.</p>	<u>2,423,964</u>	<u>2,503,272</u>
Total	<u>\$ 3,890,319</u>	<u>\$ 3,898,970</u>

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

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 192,999
2019	190,390
2020	148,224
2021	153,261
2022	1,231,000

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017, the balance in this reserve account was approximately \$181,000, which is included in cash and cash equivalents in the statement of financial position. Insurance coverage over fire, public liability, vehicular public liability, workers' compensation, medical malpractice, and builder's risk insurance must be maintained throughout the term of the mortgage. At June 30, 2017, management believes that the College is in compliance with all covenant requirements.

Interest Expense

Interest expense was \$101,624 and \$142,581 for the years ended June 30, 2017 and 2016, respectively.

Line of Credit

The College had a line of credit available in the amount of \$2,000,000 which was terminated on April 26, 2017 and replaced with a new line of credit in the amount of \$500,000. This line of credit is available on a revolving basis during certain times of the year, and is payable on demand. Borrowings under this line of credit bear interest at the bank's prime rate (4.00% and 3.25% at June 30, 2017 and 2016). At June 30, 2017 and 2016, 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, 2017 and 2016 was \$21,849 and \$56,025, respectively, related to this agreement.

NOTE 14 RETIREMENT PLAN

The College participates in retirement plans administered by the Teachers Insurance Annuity Association of America (TIAA). Substantially all full-time employees are eligible to participate in the plans. Participation in the Plan is voluntary. Eligible participants are permitted to elect to have a percentage or dollar amount, limited by Plan provisions, of their compensation contributed as pre-tax 403(b) contributions to the Plan. The Employer makes a matching contribution for eligible employees at a rate of 100% of deferral contributions up to a maximum of 5% of eligible total compensation. Effective July 1, 2017, the employer matching contribution was changed to a rate of 100% of deferral contributions up to a maximum of 4% of eligible total compensation. The College's contribution to retirement plans for the years ended June 30, 2017 and 2016 was \$194,783 and \$222,619, respectively.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 14 RETIREMENT PLAN (CONTINUED)

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, 2017 and 2016 were \$15,079 and \$16,505, respectively.

NOTE 15 FUNDRAISING EXPENSES

Fundraising costs for each of the years ended June 30, 2017 and 2016 were approximately \$300,000, and are included in institutional support expense.

NOTE 16 ENDOWMENT

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

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, 2017 AND 2016

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:

		2017			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds		\$ -	\$ 6,287,804	\$ 31,055,796	\$ 37,343,600
Total		\$ -	\$ 6,287,804	\$ 31,055,796	\$ 37,343,600
		2016			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds		\$ (3,692)	\$ 4,616,027	\$ 30,497,033	\$ 35,109,368
Total		\$ (3,692)	\$ 4,616,027	\$ 30,497,033	\$ 35,109,368

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

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

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 16 ENDOWMENT (CONTINUED)

Endowment Composition and Changes in Endowment (Continued)

	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 (Loss):				
Investment Income	-	268,854	-	268,854
Net Depreciation	(3,692)	(952,279)	-	(955,971)
Total Investment Loss	(3,692)	(683,424)	-	(687,116)
Contributions	-	-	65,524	65,524
Appropriation of Endowment Assets for Expenditures	(761,806)	(2,739,070)	-	(3,500,876)
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>

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 \$3,692 as of June 30, 2017 and 2016, 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 value of the principal of the endowment fund. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed or meet designated benchmarks while incurring a reasonable and prudent level of investment risk.

Strategies Employed for Achieving Objectives

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

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

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 years ended June 30, 2017 and 2016, the Board approved appropriations of 5.75%. In 2017, the Board approved additional spending on the donor-restricted portion of the endowment up to 8.5%. The actual spend over the approved 5.75% for donor-restricted endowment was approximately \$900,000. 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. For both 2017 and 2016, the additional spend on the endowment was for strategic initiatives and to support operations. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the inflation-adjusted value of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE 17 LEASES

The College is the lessor of office space in an office building located in Brattleboro, Vermont, expiring in various years through 2021.

Minimum future rentals to be received on noncancelable leases as of June 30, 2017, for each of the next five years are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 388,100
2019	290,972
2020	207,592
2021	82,360
2022	56,055
Total	<u>\$ 1,025,079</u>

Rental income from these leases was \$621,881 and \$668,392 for the years ended June 30, 2017 and 2016, respectively.

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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:

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

CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

	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>	<u>-</u>	<u>-</u>	<u>-</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>
Total	<u>\$ 32,043,312</u>	<u>\$ 3,686,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,356,882</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 cannot be exited within 30 days), (4) real assets (real estate, energy, and natural resources), (5) opportunistic funds (underlying securities generally do not trade on public markets) and (6) private equity funds. Generally funds are invested in partnerships or equivalent.

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

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

**CORPORATION OF MARLBORO COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

NOTE 18 FAIR VALUE MEASUREMENTS (CONTINUED)

	2016						
	Net Asset						Days
	Value	Daily	Monthly	Quarterly	Semi-Annual to Annual	Illiquid	Notice
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>	

At June 30, 2017, the College's outstanding commitments to certain alternative investments total \$2,820,451. The following is a summary of capital commitments by investment category as of June 30, 2017:

	Unfunded Commitments
Investments - Alternative:	
Real Assets	\$ 156,621
Opportunistic	45,402
Private Equity Funds	2,618,428
	<u>\$ 2,820,451</u>

NOTE 19 ENVIRONMENTAL REMEDIATION LIABILITIES

During the fiscal year ended June 30, 2011, the College recognized its legal obligation to remove asbestos from its premises. As a result, the Organization has reflected an undiscounted estimated liability of \$176,058 and \$169,083 for the cost of removing the asbestos as of June 30, 2017 and 2016, 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, 2017.



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, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 24, 2017.

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.

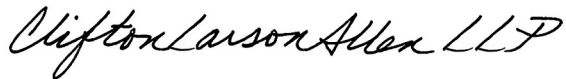
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Boston, Massachusetts
October 24, 2017



CliftonLarsonAllen

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

Board of Trustees
Corporation of Marlboro College
Marlboro, Vermont

Report on Compliance for Each Major Federal Program

We have audited Corporation of Marlboro College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Corporation of Marlboro College's major federal programs for the year ended June 30, 2017. Corporation of Marlboro College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal 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 unmodified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Corporation of Marlboro College's compliance.

Opinion on Each Major Federal Program

In our opinion Corporation of Marlboro College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

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

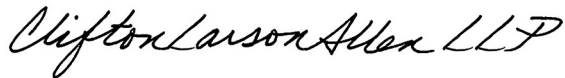
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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, 2017, and have issued our report thereon dated October 24, 2017, 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
October 24, 2017

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017**

<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	1,891,165
Federal Work Study Program (FWS)	84.033	74,400
Federal Pell Grant program (PELL)	84.063	<u>364,292</u>
Total U.S. Department of Education		<u>2,397,086</u>
 Total Expenditures of Federal Awards		 <u><u>\$ 2,397,086</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CORPORATION OF MARLBORO COLLEGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of Corporation of Marlboro College, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of Corporation of Marlboro College.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CORPORATION OF MARLBORO COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017**

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)? _____ yes x 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)? _____ yes x 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, 2017**

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

Our audit did not disclose any matters required to be reported.

Section IV – Prior Year Major Federal Program Findings

2016-001: NSLDS Reporting

Condition: This finding arose related to timely reporting of student status changes to the NSLDS.

Status: Corrected. Director of Financial Aid monitors the Enrollment Reporting Summary Report, roster submissions, and error reports to maintain timely and accurate reporting.