

GODDARD COLLEGE CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

GODDARD COLLEGE CORPORATION
TABLE OF CONTENTS
JUNE 30, 2018 AND 2017

	<u>Page(s)</u>
Independent Auditor's Report	1 - 2
Statements of Financial Position - Exhibit A	3 - 4
Statements of Activities - Exhibit B	5 - 6
Statements of Cash Flows - Exhibit C	7
Notes to the Financial Statements	8 - 23



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Goddard College Corporation
Plainfield, Vermont 05667

We have audited the accompanying financial statements of Goddard College Corporation (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 Goddard College Corporation as of June 30, 2018 and 2017, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Organization will continue as a going concern. As discussed in Note 22 to the financial statements, the Organization has suffered recurring significant losses, and substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters also are described in Note 22. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

O'Brien Charles Reginald & John J. De P.

Lic. No. 92-0000260

Rutland, Vermont
October 15, 2018

Goddard College Corporation
Statement of Financial Position
June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Total
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents - Note 2	\$ 1,401,353	\$ 321,582	\$ -	\$ 1,722,935
Cash - Board-Designated Endowment	79,892	-	-	79,892
Restricted Cash - Note 2	-	-	10,499	10,499
Tuition Receivable - Note 3	55,057	-	-	55,057
Perkins Student Loans - Current Portion - Note 4	-	-	36,000	36,000
Inventories	23,167	-	-	23,167
Prepaid Expenses	184,971	-	-	184,971
Other Receivables	7,620	-	-	7,620
Accrued Interest Receivable	-	-	36,078	36,078
Investments - Notes 5 & 17	125,169	-	-	125,169
Total Current Assets	1,877,229	321,582	82,577	2,281,388
Non-Current Assets:				
Investments - Notes 5 & 17	674,678	-	569,944	1,244,622
Perkins Student Loans - Long-Term Portion - Note 4	-	-	322,559	322,559
Property, Plant and Equipment (Net of Accumulated Depreciation) - Notes 6 & 8	5,445,888	-	-	5,445,888
TOTAL ASSETS	<u>\$ 7,997,795</u>	<u>\$ 321,582</u>	<u>\$ 975,080</u>	<u>\$ 9,294,457</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 486,405	\$ -	\$ -	\$ 486,405
Accrued Liabilities	135,174	-	-	135,174
Deferred Revenue - Note 7	791,693	-	-	791,693
Notes Payable - Current Portion - Note 8	2,060,235	-	-	2,060,235
Total Current Liabilities	3,473,507	-	-	3,473,507
Non-Current Liabilities:				
Notes Payable - Note 8	5,268	-	-	5,268
Refundable Advances - U.S. Government - Note 9	-	-	318,614	318,614
Total Non-Current Liabilities	5,268	-	318,614	323,882
Total Liabilities	3,478,775	-	318,614	3,797,389
Net Assets:				
Unrestricted:				
Net Investment in Plant	3,380,384	-	-	3,380,384
Designated for Endowment	754,570	-	-	754,570
General Unrestricted	384,066	-	-	384,066
Total Unrestricted	4,519,020	-	-	4,519,020
Temporarily Restricted - Note 10	-	321,582	-	321,582
Permanently Restricted - Note 10	-	-	656,466	656,466
Total Net Assets	4,519,020	321,582	656,466	5,497,068
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,997,795</u>	<u>\$ 321,582</u>	<u>\$ 975,080</u>	<u>\$ 9,294,457</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Goddard College Corporation
Statement of Financial Position
June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents - Note 2	\$ 1,820,293	\$ 251,043	\$ -	\$ 2,071,336
Cash - Board-Designated Endowment	101,201	-	-	101,201
Restricted Cash - Note 2	-	-	58,621	58,621
Tuition Receivable - Note 3	76,774	-	-	76,774
Perkins Student Loans - Current Portion - Note 4	-	-	36,000	36,000
Inventories	35,724	-	-	35,724
Prepaid Expenses	186,657	-	-	186,657
Other Receivables	56,309	-	-	56,309
Accrued Interest Receivable	-	-	36,078	36,078
Investments - Notes 5 & 17	179,280	-	-	179,280
Total Current Assets	2,456,238	251,043	130,699	2,837,980
Non-Current Assets:				
Investments - Notes 5 & 17	614,300	-	534,684	1,148,984
Perkins Student Loans - Long-Term Portion - Note 4	-	-	320,203	320,203
Property, Plant and Equipment (Net of Accumulated Depreciation) - Notes 6 & 8	3,540,167	-	-	3,540,167
TOTAL ASSETS	<u>\$ 6,610,705</u>	<u>\$ 251,043</u>	<u>\$ 985,586</u>	<u>\$ 7,847,334</u>
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities:				
Accounts Payable	\$ 90,568	\$ -	\$ -	\$ 90,568
Accrued Liabilities	189,222	-	-	189,222
Deferred Revenue - Note 7	1,039,263	-	-	1,039,263
Notes Payable - Current Portion - Note 8	8,098	-	-	8,098
Total Current Liabilities	1,327,151	-	-	1,327,151
Non-Current Liabilities:				
Notes Payable - Note 8	14,367	-	-	14,367
Refundable Advances - U.S. Government - Note 9	-	-	361,773	361,773
Total Non-Current Liabilities	14,367	-	361,773	376,140
Total Liabilities	1,341,518	-	361,773	1,703,291
Net Assets:				
Unrestricted:				
Net Investment in Plant	3,517,703	-	-	3,517,703
Designated for Endowment	715,502	-	-	715,502
General Unrestricted	1,035,982	-	-	1,035,982
Total Unrestricted	5,269,187	-	-	5,269,187
Temporarily Restricted - Note 10	-	251,043	-	251,043
Permanently Restricted - Note 10	-	-	623,813	623,813
Total Net Assets	5,269,187	251,043	623,813	6,144,043
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,610,705</u>	<u>\$ 251,043</u>	<u>\$ 985,586</u>	<u>\$ 7,847,334</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

Goddard College Corporation
Statement of Activities
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Tuition and Fees Revenue:				
Tuition and Fees	\$ 8,258,545	\$ -	\$ -	\$ 8,258,545
Room and Board Fees - Auxiliary	798,087	-	-	798,087
Less Scholarships and Awards - Note 11	(883,703)	-	-	(883,703)
Net Tuition and Fees Revenue	8,172,929	-	-	8,172,929
Other Revenue, Gains and Other Support:				
Investment Income - Note 5	113,651	-	112	113,763
Federal Aid Programs	619,388	-	-	619,388
Gifts and Grants	171,566	238,593	35,260	445,419
Auxiliary Enterprises	151,497	-	-	151,497
Student Loan Interest	-	-	4,656	4,656
Other Income	55,501	-	716	56,217
Satisfaction of Program Restrictions and Loan Loss Reserves - Note 12	176,145	(168,054)	(8,091)	-
Total Other Revenue, Gains and Other Support	1,287,748	70,539	32,653	1,390,940
Total Revenue	9,460,677	70,539	32,653	9,563,869
Expenses:				
Educational Program Services:				
Instruction	3,756,117	-	-	3,756,117
Public Service	235,240	-	-	235,240
Student Services	1,687,519	-	-	1,687,519
Auxiliary Enterprises	644,047	-	-	644,047
Total Educational Program Services	6,322,923	-	-	6,322,923
Supporting Services:				
Academic Support	781,894	-	-	781,894
Institutional Support	3,106,027	-	-	3,106,027
Total Supporting Services	3,887,921	-	-	3,887,921
Total Expenses	10,210,844	-	-	10,210,844
Change in Net Assets	(750,167)	70,539	32,653	(646,975)
Net Assets - Beginning of Year	5,269,187	251,043	623,813	6,144,043
Net Assets - End of Year	\$ 4,519,020	\$ 321,582	\$ 656,466	\$ 5,497,068

The Accompanying Notes are an Integral Part of these Financial Statements.

Goddard College Corporation
Statement of Activities
For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue:				
Tuition and Fees Revenue:				
Tuition and Fees	\$ 8,402,792	\$ -	\$ -	\$ 8,402,792
Room and Board Fees - Auxiliary	779,574	-	-	779,574
Less Scholarships and Awards - Note 11	(946,528)	-	-	(946,528)
Net Tuition and Fees Revenue	8,235,838	-	-	8,235,838
Other Revenue, Gains and Other Support:				
Investment Income - Note 5	156,754	-	121	156,875
Federal Aid Programs	612,429	-	-	612,429
Gifts and Grants	166,038	203,442	78,851	448,331
Auxiliary Enterprises	184,640	-	-	184,640
Student Loan Interest	-	-	10,483	10,483
Other Income	43,627	-	1,398	45,025
Satisfaction of Program Restrictions and Loan Loss Reserves - Note 12	209,646	(206,842)	(2,804)	-
Total Other Revenue, Gains and Other Support	1,373,134	(3,400)	88,049	1,457,783
Total Revenue	9,608,972	(3,400)	88,049	9,693,621
Expenses:				
Educational Program Services:				
Instruction	3,816,941	-	-	3,816,941
Public Service	224,230	-	-	224,230
Student Services	1,401,414	-	-	1,401,414
Auxiliary Enterprises	616,688	-	-	616,688
Total Educational Program Services	6,059,273	-	-	6,059,273
Supporting Services:				
Academic Support	790,370	-	-	790,370
Institutional Support	2,960,558	-	-	2,960,558
Total Supporting Services	3,750,928	-	-	3,750,928
Total Expenses	9,810,201	-	-	9,810,201
Change in Net Assets	(201,229)	(3,400)	88,049	(116,580)
Net Assets - Beginning of Year	5,470,416	254,443	535,764	6,260,623
Net Assets - End of Year	\$ 5,269,187	\$ 251,043	\$ 623,813	\$ 6,144,043

The Accompanying Notes are an Integral Part of these Financial Statements.

Goddard College Corporation
Statements of Cash Flows
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (646,975)	\$ (116,580)
Add: Items Providing Cash or Not Requiring Cash		
Depreciation Expense	311,810	325,689
Loss on Disposal of Assets	1,155	21,995
Unrealized Loss on Investments	-	-
Loss on Sale of Investments	-	-
Due from Perkins Fund	-	-
Decrease in Tuition Receivable	-	-
Decrease in Perkins Loans Receivables	-	54,088
Decrease in Other Receivables	48,689	-
Decrease in Prepaid Expenses	1,686	-
Decrease in Inventories	12,557	-
Increase in Accounts Payable	395,837	-
Increase in Deferred Revenue	-	170,636
Increase in Allowance for Doubtful Accounts	30,000	-
Less: Items Requiring Cash or Not Providing Cash		
Unrealized Gains on Investments	(50,328)	(103,017)
Gain on Sale of Investments	(26,526)	(26,946)
Increase in Tuition Receivable	(8,284)	(1,688)
Increase in Inventories	-	(13,849)
Increase in Perkins Loans Receivable	(2,356)	-
Increase in Other Receivables	-	(49,603)
Increase in Accrued Interest Receivable	-	(3,859)
Increase in Prepaid Expenses	-	(59,795)
Decrease in Accounts Payable	-	(8,190)
Decrease in Accrued Liabilities	(54,047)	(168,837)
Decrease in Deferred Revenue	(247,570)	-
Net Cash Provided (Used) by Operating Activities	<u>(234,352)</u>	<u>20,044</u>
Cash Flows from Investing Activities:		
Purchase of Investments	(204,030)	(137,693)
Proceeds from Sale of Investments	239,356	110,001
Proceeds from Sale of Fixed Assets	750	58,270
Purchase of Property, Plant, and Equipment	<u>(2,219,436)</u>	<u>(139,968)</u>
Net Cash Provided (Used) by Investing Activities	<u>(2,183,360)</u>	<u>(109,390)</u>
Cash Flows from Financing Activities:		
Proceeds from Notes Payable	2,051,465	-
Return of Perkins Principle	(43,159)	-
Principal Payments on Notes Payable	<u>(8,426)</u>	<u>(8,099)</u>
Net Cash Used by Financing Activities	<u>1,999,880</u>	<u>(8,099)</u>
Decrease in Cash	(417,832)	(97,445)
Cash - Beginning of Year	<u>2,231,158</u>	<u>2,328,603</u>
Cash - End of Year	<u>\$ 1,813,326</u>	<u>\$ 2,231,158</u>

Supplemental Cash Flow Information:

Total interest paid was \$1,071 and \$1,472 in 2017 and 2016, respectively.

The Accompanying Notes are an Integral Part of these Financial Statements.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies

Nature of Organization

Goddard College is a non-profit corporation established in 1938 and incorporated in the State of Vermont. It is an accredited institution of higher education providing both undergraduate and graduate degrees. The College is located in Plainfield, Vermont, has a site in Port Townsend, Washington, and a satellite site in Seattle, Washington.

Basis of Accounting

The College prepares its financial statements in accordance with U.S. generally accepted accounting principles utilizing the accrual basis of accounting; consequently, revenues and gains are recognized when earned and expenses and losses are recognized when incurred.

Basis of Presentation

The College reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The three classes are defined as follows:

Unrestricted Net Assets

These assets result from contributions and other inflows that have no restrictions and over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

Temporarily Restricted Net Assets

These assets result from contributions and other inflows of assets whose use by the College is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the College.

Permanently Restricted Net Assets

These assets result from contributions restricted to funding scholarships, loans and loan loss allowances in perpetuity.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - (Continued)

Recognition of Revenue

Tuition is recognized as revenue once the refund period has expired in each session.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor-imposed restrictions.

Income Taxes

Goddard College Corporation is a non-profit Vermont corporation and a tax-exempt educational facility under Internal Revenue Code Section 501(c)(3) and is not a private foundation. As such, the College is exempt from income tax on its exempt function income.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the College and recognize a tax liability (or asset) if the College has taken an uncertain position that more-likely-than-not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken by the plan and has concluded that as of June 30, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The College is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2015.

Functional Expenses

Expenses are reported on the statements of activities in two categories. The College's primary program service, Educational Program Services, includes academic programs, public services, student services and auxiliary enterprises. All other functions are considered supporting services and have been categorized as academic support and institutional support.

Expenses associated with the operation and maintenance of the College plant assets, including interest and depreciation expense, are included in the institutional support functional category.

Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - (Continued)

Investments

Marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position, with the exception of the Certificate of Deposit portfolio which is listed at full value with the assumption that they are held to maturity. Unrealized gains and losses are included in revenue. Investments received by gift are recorded at market value at the date of acquisition.

Allowance for Doubtful Accounts

Goddard College Corporation uses the allowance method for uncollectable accounts. The College has allowances for accounts and loans receivable.

The Collection

The collection, which consists of library books, periodicals and related material, was acquired through purchases and contributions since the College's inception and is not recognized as an asset on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as decreases in temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected in the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Inventories

Inventories consist of campus stores and kitchen supplies and postage. Inventory is valued at cost using the first-in/first-out (FIFO) method for the campus stores and the inventory for the kitchen is valued using the suppliers pricing on the date the inventory is finalized and the postage is valued on a cash basis.

Use of Estimates

The presentation of financial statements in conformity with 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.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - (Continued)

Concentrations

Goddard College Corporation derives its revenue primarily from tuition.

Property, Plant and Equipment

Property, plant and equipment are stated at cost at the date of acquisition and are being depreciated using the straight-line method over their estimated useful and economic lives, which range from 5 to 83 years. Contributions of property, plant and equipment are recorded at their estimated current value at the date of the gift.

Expenditures for new construction, major renewals and replacements costing over \$1,000 are capitalized. Equipment and fixtures costing over \$500 are capitalized. Contributions of long-lived assets or contributions restricted for acquisition of long-lived assets are reported as increases in temporarily restricted net assets. Restrictions are considered met, and an appropriate amount reclassified to unrestricted net assets, over the useful life of the long-lived assets as calculated by the College's depreciation policy.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and short-term investments approximate fair value because of the short maturity of those financial instruments. The carrying amounts (which are fair value) of long-term investments are based on values provided by an external investment manager which are quoted market values.

A reasonable estimate of the fair value of the loans to students under government loan programs and U.S. government loan funds refundable could not be made because the notes receivable are not stable and can only be assigned to the U.S. government or its designees; the fair value of notes receivable from students under College loan programs approximates carrying value.

The College records the value of donated services and materials when there is an objective basis available to measure their value. Donated services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. During 2018 and 2017, the College received donated services or materials of \$1,312 and \$1,870, respectively.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 1 Summary of Significant Accounting Policies - (Continued)

Donated Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time to benefit the radio station mission. No amounts have been reflected in the statements for donated services for these because they did not meet the criteria for recognition under U.S. GAAP, Accounting for Contributions Received and Contributions Made.

Date of Management Review

Management has evaluated for subsequent events through October 15, 2018, the date the financial statements were available to be issued.

Note 2 Cash and Cash Equivalents

	2018		2017	
	Book Balance	Bank Balance	Book Balance	Bank Balance
Insured - FDIC	\$ 171,746	\$ 146,559	\$ 72,513	\$ 114,204
Uninsured, Collateralized by Bank	1,572,935	1,572,935	2,082,619	2,027,143
Cash on Hand	68,645	-	76,026	-
Total	<u>\$ 1,813,326</u>	<u>\$ 1,719,494</u>	<u>\$ 2,231,158</u>	<u>\$ 2,141,347</u>

The difference between the book and the bank balance are reconciling items such as outstanding checks and deposits in transit.

Restricted cash represents amounts restricted for student loans from Federal loan funds received. As required by the Federal Perkins Loan Program, a separate cash account is maintained for the Perkins Loan Program funds.

The College has a repurchase agreement with Community National Bank, which is collateralized by a pool of U.S. Government Agencies or U.S. Treasury Notes held at the Federal Reserve Bank of Boston.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 3 Tuition Receivable

	<u>2018</u>	<u>2017</u>
Tuition Receivable	\$ 185,057	\$ 177,274
Allowance for Doubtful Accounts	(130,000)	(100,000)
Allowance for Goddard Loan Bad Debts	<u>-</u>	<u>(500)</u>
Net Tuition Receivable	<u>\$ 55,057</u>	<u>\$ 76,774</u>

Delinquent accounts are sent to a collection agency. Receivables are written off only after all efforts at collection have been attempted. The allowance for doubtful accounts is based on receivables considered by the College to have a low likelihood of being collected.

Note 4 Perkins Student Loans

	<u>2018</u>	<u>2017</u>
Perkins Loans Receivable	\$ 358,559	\$ 356,203
Less: Current Portion	<u>(36,000)</u>	<u>(36,000)</u>
Long-Term Portion	<u>\$ 322,559</u>	<u>\$ 320,203</u>

Perkins Loans are charged 5% annual interest beginning at the end of a student's nine month grace period. The term of these loans can extend up to ten years. All interest earned is reinvested into the Perkins Loan Program. Receivables are considered in default when they are more than 120 days past due. The balances of loans receivable in default at June 30, 2018 and June 30, 2017, included in Perkins Loans Receivable are \$144,332 and \$147,703, respectively.

Loans can enter non-accrual status or deferment if forbearance is granted for financial hardships, poor health or other acceptable reasons. There is no allowance for doubtful Perkins Loans as an offsetting liability is recorded.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 5 Investments and Fair Value Measurements

The following are the fair values of assets measured on a recurring basis at June 30:

	<u>2018</u>	<u>2017</u>
People's Financial Advisors CD Portfolio	\$ 8,481	\$ 63,465
Northfield Savings CD	116,688	114,681
Schwab Cash & Money Market (Sweep)	39,566	51,616
Schwab Fixed Income	314,605	277,599
Schwab Equities	879,749	793,816
Schwab Other Assets	10,702	25,953
GE Stock	<u>-</u>	<u>1,134</u>
Total	<u>\$ 1,369,791</u>	<u>\$ 1,328,264</u>

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

All of the College's cash and investments are considered Level 1 and were valued using unadjusted quoted prices in active markets that were accessible at the measurement date for identical, unrestricted assets.

Total investment earnings for the year ended June 30, consisted of the following:

	<u>2018</u>	<u>2017</u>
Interest and Dividends	\$ 38,068	\$ 26,912
Net Realized and Unrealized Gain	<u>75,695</u>	<u>129,963</u>
Total Gain on Investments	<u>\$ 113,763</u>	<u>\$ 156,875</u>

The College considers all non-endowed investments available for operations. As of June 30, 2018 and 2017, the total available investments for operations were \$125,169 and \$179,280, respectively.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 6 Property, Plant and Equipment

Property, plant and equipment are stated at cost on the date of acquisition or at fair market value on the date of donation.

The lives and depreciation methods are as follows:

	<u>Method</u>	<u>Lives</u>
Land Improvements	SL	5-25 Years
Buildings and Improvements	SL	5-83 Years
Vehicles	SL	10 Years
Equipment	SL	5-30 Years

Property, plant and equipment were as follows at June 30:

	2018		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 7,053	\$ -	\$ 7,053
Land Improvements	631,105	462,561	168,544
Buildings and Improvements	7,577,237	5,466,200	2,111,037
Vehicles and Equipment	1,765,259	1,499,954	265,305
Construction in Progress	2,893,949	-	2,893,949
Total Property, Plant and Equipment	<u>\$ 12,874,603</u>	<u>\$ 7,428,715</u>	<u>\$ 5,445,888</u>

Total depreciation expense for 2018 is \$311,810.

	2017		
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Land	\$ 7,053	\$ -	\$ 7,053
Land Improvements	630,769	439,863	190,906
Buildings and Improvements	7,631,816	5,268,038	2,363,778
Vehicles and Equipment	1,736,949	1,409,293	327,656
Construction in Progress	650,774	-	650,774
Total Property, Plant and Equipment	<u>\$ 10,657,361</u>	<u>\$ 7,117,194</u>	<u>\$ 3,540,167</u>

Total depreciation expense for 2017 is \$325,689.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 7 Deferred Revenue

Deferred revenue consists of prepaid tuition and fees payments and unearned tuition and fees for the low residency individualized master's program.

Note 8 Notes Payable and Line of Credit

	<u>2018</u>	<u>2017</u>
Ally Financial - Annual Interest Rate 3.99%, 60 monthly payments, secured by 2015 GMC Sierra 350 dump truck. Monthly Payment \$764.	\$ 14,037	\$ 22,465
Community National Bank - Annual Interest Rate 5.25%, construction loan on woodchip plant. Interest only payments on principal drawdowns not to exceed \$2,100,000 in principal. Loan will balloon on November 1, 2018, or when construction of the woodchip plant is complete. Loan will be refinanced with USDA at that time, with terms of 3.125% over 40 years.	<u>2,051,466</u>	<u>-</u>
Total	2,065,503	22,465
Less: Current Portion	<u>(24,297)</u>	<u>(8,098)</u>
Long-Term Portion	<u>\$ 2,041,206</u>	<u>\$ 14,367</u>

Maturities of long-term debt for years ending after June 30, 2017, are as follows:

2019	\$ 24,297
2020	32,554
2021	28,151
2022	29,043
2023	29,964
Thereafter	<u>1,921,494</u>
	<u>\$ 2,065,503</u>

Note 9 Refundable Advances

Refundable Advances - U.S. Government represents Perkins/NDSL loan funds due back to the U.S. government. These balances are the Federal capital contributions received by the College to run the Perkins program. The liability at June 30, 2018 and 2017, is \$318,614 and \$361,773, respectively. Generally accepted accounting principles for Colleges recognize this amount as a liability. However, should the College ever elect to discontinue the Perkins program, Federal regulations require certain calculations that could result in a much larger amount to be returned to the U.S. Department of Education.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 10 Restricted Net Assets

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

	2018	
	Temporarily Restricted	Permanently Restricted
Scholarships	\$ -	\$ 569,944
Non-Federal Restricted	321,582	-
Loan Funds - Perkins	-	86,522
Total	<u>\$ 321,582</u>	<u>\$ 656,466</u>

	2017	
	Temporarily Restricted	Permanently Restricted
Scholarships	\$ -	\$ 534,684
Non-Federal Restricted	251,043	-
Loan Funds - Perkins	-	89,129
Total	<u>\$ 251,043</u>	<u>\$ 623,813</u>

Note 11 Scholarships and Awards

The College provides Perkins loans to students. Perkins loans of \$38,687 and \$29,652 were provided in 2018 and 2017, respectively. Staff Benefit Waiver amounts for 2018 and 2017 for Staff Tuition Waiver were \$90,226 and \$101,413, respectively.

Scholarships and awards consist of the following:

	2018	2017
Federal PELL Awards	\$ 531,721	\$ 521,513
CIC Tuition Exchange	54,420	91,854
Federal SEOG	87,667	90,916
Scholarships	57,091	61,402
Other School Awards	152,804	180,843
Total	<u>\$ 883,703</u>	<u>\$ 946,528</u>

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 12 Net Assets Released from Restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes specified by donors/grantors or by releases by the donors.

	<u>2018</u>	<u>2017</u>
Donor Imposed Restrictions Have Been Fulfilled	<u>\$ 176,145</u>	<u>\$ 209,646</u>

Note 13 Operating Leases

During fiscal year 2018, the College entered into a lease agreement with Pitney Bowes for a postage meter for \$25,161 to be paid in twenty-one (21) quarterly payments and a lease with LEAF for a copier for \$7,380 to be paid in sixty (60) monthly payments. During fiscal year 2017, the College entered into a lease agreement with DeLage Financial to replace GE Capital copier lease for a total of \$64,800 to be paid in sixty (60) monthly installments.

Future minimum lease payments under these leases for the years ending after June 30, 2018, are as follows:

2019	\$ 19,512
2020	19,229
2021	19,229
2022	11,669
2023	6,487
Total	<u>\$ 76,126</u>

The lease payments made during the years ending June 30, 2018 and 2017, were \$28,052 and \$40,129, respectively.

Note 14 Retirement Contributions

Goddard College is presently a member of the Teachers Insurance and Annuity Association (TIAA) offered by the College Retirement Equities Fund (CREF). Employees are eligible to participate in the plan upon completion of one year of service and attaining age twenty-one. Employees who elect to participate in this defined contribution plan have a minimum of 5% withheld from their pay. The College's contribution is equal to 5% of salary for each employee in the plan. Total payroll was \$5,956,098 and \$5,898,106 for 2018 and 2017, respectively. Total covered payroll was \$3,433,984 and \$1,534,154 for 2018 and 2017, respectively. Pension expense was \$171,699 and \$76,708 for 2018 and 2017, respectively. The College has elected to temporarily suspend the 5% College Retirement Annuity match for eighteen months, effective July 13, 2015, which took effect on the July 13, 2015 payroll. The match went back into effect on January 1, 2017.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 15 Fundraising Expenses

For the years ended June 30, 2018 and 2017, the College incurred expenses related to fund-raising amounting to \$438,757 and \$352,363, respectively. Such amounts are included in institutional support expenses in the accompanying statement of activities.

Note 16 Related Party

The following is a summary of related party transactions and balances as of and for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Revenue from Gifts Given by Members of the Board of Trustees	<u>\$ 42,303</u>	<u>\$ 20,622</u>

Note 17 Endowment

Goddard College's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Goddard College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring prudent investment on all endowment funds absent explicit donor stipulations. As a result of the interpretation, the College classifies as permanently restricted net assets (a) the original value of the gifts donated to permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulations are added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards and procedure of the UPMIFA.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 17 Endowment – (Continued)

Goddard College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of income to programs supported by its endowment while maintaining the purchasing power of the endowment assets. As such, the primary long-term investment objective of the Endowment is to attain an average annual real return of at least 6% measured over a rolling five-year period. To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment return is achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College's spending will average no more than 5% of the trailing twelve-quarter average market value of the Endowment.

2018 Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 569,944	\$ 569,944
Board-designated endowment funds	754,570	-	-	754,570
Total Funds	<u>\$ 754,570</u>	<u>\$ -</u>	<u>\$ 569,944</u>	<u>\$ 1,324,514</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2017	\$ 715,502	\$ -	\$ 534,684	\$ 1,250,186
Investment return:				
Investment income	19,362	-	-	19,362
Net depreciation (realized and unrealized)	76,275	-	-	76,275
Total investment return	95,637	-	-	95,637
Contributions	-	-	35,260	35,260
Appropriation of endowment assets for expenditure	(56,569)	-	-	(56,569)
Endowment net assets June 30, 2018	<u>\$ 754,570</u>	<u>\$ -</u>	<u>\$ 569,944</u>	<u>\$ 1,324,514</u>

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 17 Endowment – (Continued)

2017 Endowment Net Asset Composition by Type of Fund

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ -	\$ 534,684	\$ 534,684
Board-designated endowment funds	715,502	-	-	715,502
Total Funds	<u>\$ 715,502</u>	<u>\$ -</u>	<u>\$ 534,684</u>	<u>\$ 1,250,186</u>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ 625,482	\$ -	\$ 455,833	\$ 1,081,315
Investment return:				
Investment income	17,010	-	-	17,010
Net depreciation (realized and unrealized)	128,721	-	-	128,721
Total investment return	145,731	-	-	145,731
Contributions	-	-	78,851	78,851
Appropriation of endowment assets for expenditure	(55,711)	-	-	(55,711)
Endowment net assets June 30, 2017	<u>\$ 715,502</u>	<u>\$ -</u>	<u>\$ 534,684</u>	<u>\$ 1,250,186</u>

Note 18 Vermont Community Foundation

Goddard College is the beneficiary of a fund established at and controlled by the Vermont Community Foundation. Annually, the College receives distributions from the fund based on a percentage of the underlying fund balance. The purpose of the funds is at the discretion of the College. The amounts received during the years ending June 30, 2018 and 2017, were \$30,078 and \$29,988, respectively, and are reflected as unrestricted gifts.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 19 Significant Concentrations of Risk

The College receives a substantial amount of its revenue for educational services provided to students in Vermont. The College has incurred enrollment declines over recent years, which has contributed to its operating losses. Management is currently working on a plan to increase enrollment along with controlling expenditures. The College is a party to a collective bargaining agreement (union contract) for the faculty and the staff. Both contracts were ratified and received Board approval on June 9, 2015.

Federally funded financial aid programs are subject to special audit requirements. Such audits could result in claims against resources of the College. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date. Federally funded student assistance, grants and loans represent approximately 75.2% and 75.8% of the revenues received from students for the years ended June 30, 2018 and 2017, respectively. A reduction or related change in the federally funded student assistance programs could adversely affect the ability of the students to pay the tuition and other costs of attendance. This, in turn, could adversely affect the College's revenues.

Note 20 Contingencies

The College is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition will not have a material adverse effect on the College's financial statements.

Note 21 Subsequent Events

On August 16, 2017, Goddard College signed a construction loan agreement with Community National Bank for \$2,100,000. This loan is for construction of the woodchip heating plant to be completed in 2018.

Note 22 Note on Operations

As shown in the accompanying financial statements, the College has suffered recurring operating losses of \$646,975 and \$116,581, for the years ended June 30, 2018 and 2017, respectively, and a negative operating cash flow of \$234,352 for the year ended June 30, 2018, and a positive operating cash flow of \$20,044 for the year ended June 30, 2017.

The steep decline in operating cash flow, as well as the loss in current year operations, can be attributed to steadily declining tuition revenue. Given this decline in the College's cash flow, there is substantial doubt about the College's ability to continue as a going concern. The ability of the College to continue as a going concern is dependent on the successful implementation of management's plans to reverse or slow the trends of declining enrollment, negative cash flow, and annual deficits.

GODDARD COLLEGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017

Note 22

Note on Operations – (Continued)

Management's Plans:

The College is currently exploring a number of avenues to improve its overall financial position. It now has in place directors of marketing and admissions, and its admissions department is fully staffed after a year challenged by vacancies. Targeted marketing and social media efforts over the last year are credited with stabilizing new student enrollment for the current academic year. The College expects its new marketing and enrollment team to drive improvements in both undergraduate and graduate enrollments for the next cycle. Additional capacity in fundraising drove a small increase in the last fiscal year, and that increase is expected to continue in the current fiscal year. Cost cutting is also underway; to date the College has avoided impact to student experience and academic quality. Strategic lay-offs in staff and faculty have begun to right-size the College to support current and expected enrollment for the coming year. Staff and Faculty Unions are working with the Administration to make these cuts and address restructuring so that the institution is positioned to reach a balanced budget in 2020.

The administration, Board of Trustees, and internal working groups are exploring more creative options to bridge the financial gap, including revenue streams not dependent on enrollment and fundraising, enrollment partnerships, restructuring academic programs; and developing non-credit programs.