BURLINGTON COLLEGE, INC.

AUDIT REPORT AND REPORTS ON COMPLIANCE AND INTERNAL CONTROL

JUNE 30, 2011

BURLINGTON COLLEGE, INC.
AUDIT REPORT
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Sullivan, Powers & Co.

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL CORPORATION

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Independent Auditor's Report

Board of Trustees
Burlington College, Inc.
351 North Avenue
Burlington, Vermont 05401

We have audited the accompanying statement of financial position of Burlington College, Inc. as of June 30, 2011 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Burlington College, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Burlington College, Inc. taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statement taken as a whole.

In accordance with "Government Auditing Standards", we have also issued our report dated February 6, 2012, on our consideration of Burlington College, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with "Government Auditing Standards" and should be considered in assessing the results of our audit.

February 6, 2012
Montpelier, Vermont
Vt Lic. #92-000180

Sullivan, Powers & Company

BURLINGTON COLLEGE, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

ASSETS

Current Assets:	
Cash - Note 2	$ 260,500
Restricted Cash - Note 2 & 3	40,321
Tuition Receivable - Note 4	120,043
Rental Security Deposit	1,600
Perkins Loans Receivable - Current Portion - Note 5	189,477
Contributions Receivable - Current Portion - Note 6	127,655
Federal Work Study Receivable	37
Other Receivables	481
Prepaid Expenses	33,653
Property Held for Resale - Note 7	125,000
Total Current Assets	898,767
Non-Current Assets:	
Property, Plant and Equipment:	
Land	8,097,360
Land Improvements	26,880
Buildings	3,061,908
Building Improvements	189,420
Equipment	612,080
Library Books and Art	394,675
Less: Accumulated Depreciation	(456,630)
Total Property, Plant and Equipment - Note 9	11,925,693
Restricted Cash - Note 2 & 3	886,718
Bond Issue Costs and Legal Fees (Net of Accumulated Amortization) - Note 10	103,584
Perkins Loans Receivable - Long-Term Portion - Note 5	266,026
Contributions Receivable - Long-Term Portion - Note 6	894,190
Total Non-Current Assets	14,076,211
TOTAL ASSETS	$ 14,974,978

The accompanying notes are an integral part of this financial statement.

LIABILITIES AND NET ASSETS

Liabilities:	
Current Liabilities:	
Accounts Payable	$ 99,693
Accrued Payroll & Related Liabilities	39,068
Accrued Vacation	67,717
Deferred Revenue - Note 11	79,935
Post Employment Benefits Payable - Current Portion - Note 12	32,691
Current Portion of Bond/Notes Payable - Note 13	581,985
Total Current Liabilities	901,089
Noncurrent Liabilities:	
Post Employment Benefits Payable - Long-Term Portion - Note 12	297,809
Bond/Notes Payable - Long-Term Portion - Note 13	10,251,684
Accrued Interest Payable - Note 13	65,700
Refundable Advances - U.S. Government - Note 14	489,336
Total Noncurrent Liabilities	11,104,529
Total Liabilities	12,005,618
Net Assets:	
Unrestricted:	
Net Investment in Property, Plant and Equipment	1,075,693
Designated - Note 15	28,904
Undesignated	761,817
Total Unrestricted	1,866,414
Temporarily Restricted - Note 16	1,022,302
Permanently Restricted - Note 16	80,644
Total Net Assets	2,969,360
TOTAL LIABILITIES AND NET ASSETS	$ 14,974,978

BURLINGTON COLLEGE, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue, Grant and Other Support:				
Tuition and Fees Revenue:				
Tuition and Fees	$ 3,934,938	$ 0	$ 0	$ 3,934,938
Room & Board	207,436	0	0	207,436
Less Scholarships and Awards - Note 18	(319,391)	0	0	(319,391)
Net Tuition and Fees Revenue	3,822,983	0	0	3,822,983
Other Revenue, Grants and Support:				
Federal Aid Programs	46,940	0	0	46,940
Other	4,011	0	130	4,141
Contributions, Grants and Contracts	206,775	921,137	0	1,127,912
Gala Auction and Event Proceeds	4,945	0	0	4,945
Net Investment Income	4,248	9	5,860	10,117
Net Assets Released from Restrictions - Note 19	28,232	(20,400)	(7,832)	0
Total Other Revenue, Grants and Support	295,151	900,746	(1,842)	1,194,055
Total Operating Revenue	4,118,134	900,746	(1,842)	5,017,038
Operating Expenses:				
Program Services:				
Instruction	1,430,183	0	0	1,430,183
Academic Support	290,226	0	0	290,226
Student Services	514,314	0	0	514,314
Auxiliary Services	155,460	0	0	155,460
Supporting Services:				
Institutional Support	1,450,069	0	0	1,450,069
Fundraising	120,259	0	0	120,259
Total Operating Expenses	3,960,511	0	0	3,960,511
Change in Net Assets Before Rental Revenue/(Expenses) and Non-operating Activities	157,623	900,746	(1,842)	1,056,527
Rental Revenue/(Expenses):				
Rental Income	18,240	0	0	18,240
Rental Expenses	(33,113)	0	0	(33,113)
Net Rental Revenue/(Expenses)	(14,873)	0	0	(14,873)
Non-operating Activities:				
In-Kind Contributions of Furniture and Equipment	84,975	0	0	84,975
Gain on Sale of Real Estate	283,197	0	0	283,197
Loss on Write Down to Fair Market Value for Property Held For Resale	(142,312)	0	0	(142,312)
Loss on Disposal of Equipment	(22,511)	0	0	(22,511)
Loss on Early Extinguishment of Debt	(47,792)	0	0	(47,792)
Total Non-operating Activities	155,557	0	0	155,557
Change in Net Assets	298,307	900,746	(1,842)	1,197,211
Net Assets - July 1, 2010	1,568,107	121,556	82,486	1,772,149
Net Assets - June 30, 2011	$ 1,866,414	$ 1,022,302	$ 80,644	$ 2,969,360

The accompanying notes are an integral part of this financial statement.

BURLINGTON COLLEGE, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

Cash Flows from Operating Activities:		
Change in Net Assets	$	1,197,211
Adjustments to Reconcile the Change in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Add: Items Providing or Not Requiring Cash:		
Depreciation		105,678
Amortization		2,656
Loss on Early Extinguishment of Debt		47,792
Loss on Write Down to Fair Market Value for Property Held for Resale		142,312
Loss on Disposal of Equipment		22,511
Decrease in Tuition Receivable		6,901
Decrease in Grants Receivable		8,751
Decrease in Work Study Receivable		108
Increase in Accounts Payable		67,723
Increase in Accrued Payroll & Related Liabilities		10,670
Increase in Accrued Vacation		33,485
Increase in Accrued Interest Payable		65,700
Increase in Deferred Revenue		2,180
Increase in Refundable Advances		7,107
Deduct: Items Requiring Cash or Not Providing Cash:		
Gain on Sale of Real Estate		(283,197)
Gifts In-Kind		(84,975)
Increase in Restricted Cash		(376,409)
Increase in Perkins Loans Receivable		(24,409)
Increase in Contributions Receivable		(903,238)
Increase in Other Receivables		(481)
Increase in Rental Security Deposit		(1,600)
Increase in Prepaid Expenses		(1,895)
Decrease in Post Employment Benefits Payable		(131,172)
Total Cash Provided/(Used) by Operating Activities		(86,591)
Cash Flows from Investing Activities:		
Proceeds from Sale of Real Estate		1,000,000
Purchases of Property, Plant and Equipment		(10,372,360)
Total Cash Provided/(Used) by Investing Activities		(9,372,360)
Cash Flows from Financing Activities:		
Proceeds of Long Term Debt		10,850,000
Principal Payments on Long-Term Debt		(1,718,402)
Prepaid Points		(16,331)
Bond Issue Costs		(106,240)
Total Cash Provided by Financing Activities		9,009,027
Total Cash Provided/(Used)		(449,924)
Cash - July 1, 2010		710,424
Cash - June 30, 2011	$	260,500

Supplemental Disclosure of Cash flow Information:

Total Interest Paid during the Year	$	171,360

During Fiscal year 2011, equipment was disposed of with a cost totaling $451,559 and accumulated depreciation $429,048, resulting in a loss of $22,511.

During Fiscal year 2011, the College sold real estate with a cost of $1,356,397 and accumulated depreciation of $639,594 for $1,000,000, resulting in a gain of $283,197.

During Fiscal year 2011, the College purchased an entire new campus with total debt acquired of $10,850,000. The College, paid off the old bond with the new bond proceeds and, in the process, bond issue costs were written off in the amount of $47,792 and new bond issue costs totaling $106,240 were incurred.

During Fiscal year 2011, the College sold investments with a basis of $29,320 for $28,765 resulting in a loss of $555.

During Fiscal year 2011, the College received a donated poetry collection and various pieces of furniture and equipment valued at $84,975.

During Fiscal year 2011, the College listed a property for sale with a net book value of $267,312 and fair market value of $125,000. The property was recorded at the lower of cost or fair market value resulting in a write down of $142,312.

The accompanying notes are an integral part of this financial statement.

Burlington College, Inc. is a "Not-for-Profit" corporation established in 1972. It is an accredited institution of higher education providing Bachelor of Arts, Master of Arts, and Associates of Arts degrees, as well as several professional certificates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The College prepares its financial statements in accordance with 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 based upon the existence or absence of donor-imposed restrictions. The three (3) classes are defined as follows:

Unrestricted Net Assets

These assets result from contributions and other inflows which 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 passage of time or can be fulfilled and removed by actions of the College. Restrictions released within one operating period are reported as unrestricted.

Permanently Restricted Net Assets

These assets result from contributions that are restricted according to donor or grantor restrictions in perpetuity.

Recognition of Revenue

Tuition is recognized as revenue on a prorata basis based on the number of days in a session.

Note 1:
(Cont'd)

Current restricted funds revenues from grant programs are recorded when authorized expenditures are made.

Contributions, including unconditional promises to give, are recognized as revenue in the period the contribution or promise is received. Promises to give that are scheduled to be received after the end of the year are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose and/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. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

The College reports contributions of land, buildings or equipment as unrestricted nonoperating 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 temporarily restricted support until the assets are acquired and placed in service.

Rental income is recognized on a monthly basis as the revenue is deemed earned.

Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three (3) months of the date acquired by the College.

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. Unrealized gains and losses are included in revenue. Investments received by gift are recorded at market value at the date of acquisition. Effective March, 2009, the policy of the College is to sell all gifts of securities immediately upon receipt. No marketable securities or certificates of deposit were held by the College as of June 30, 2011.

Note 1:
(Cont'd)

Receivables

Tuition Receivable represents amounts due for tuition and fees from currently enrolled and former students. The College extends unsecured credit to students in connection with their studies. Tuition Receivable is stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through the allowance for uncollectible accounts. Changes in the allowance have not been material to the financial statements.

Notes receivable from students are carried at the unpaid principal balance less an allowance for uncollectible loans. The allowance for uncollectible loans is increased by charges to income and decreased by charge-offs (net of recoveries). Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. The College has evaluated their notes receivable and determined that there should be no allowance as they record a payable to the Department of Education (DOE), which reflects the amount that would be due to DOE in the event of the loans being called.

Interest on loans is recognized over the term of the loan beginning at the end of the nine (9) month grace period and is calculated using an interest rate of 5% on the outstanding loan balance.

Allowance for Doubtful Accounts

The College uses the allowance method for uncollectibles. The College has allowances for student receivables.

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recognized as prepaid expenses.

Collections

The College has capitalized its Library Books as a collection since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value on the accession. Gains or losses on the deaccession of collection items are classified on the statement of activities as unrestricted or temporarily restricted support depending on donor restrictions, if any, placed on the item at the time of accession.

Note 1:
(Cont'd)

Income Taxes

Burlington College, Inc. is a non-profit Vermont Corporation and is tax exempt on its exempt function income 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.

The College adopted provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes." The College evaluates its uncertain tax positions using the provisions of FASB ASC 450, "Contingencies". Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. The College has evaluated its tax positions and determined that its positions are more-likely-than-not to be sustained on examination. No provision for income tax is required for 2011.

The College's tax returns are subject to review and examination by federal and state authorities. Tax returns for fiscal year ended June 30, 2008, 2009 and 2010 are open for examination by federal and state authorities.

Functional Expenses

Expenses are reported on the statement of activities in categories recommended by the National Association of College and University Business Officers. The College's primary program service is instruction. Expenses reported as academic support, student services, auxiliary services, institutional support and fundraising are incurred in support of this primary program service.

The College allocates operation of plant and maintenance, interest and depreciation to functional areas based on square footage and the functional use of the buildings.

Classification of Activities

The College classifies its activities in three categories, operating, nonoperating and rental. Operating activities include all revenues and expenses derived from or related to its primary program service, instruction.

Note 1:
(Cont'd)

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.

Concentrations

Burlington College, Inc. derives its revenue primarily from tuition.

Note 2: CASH

Cash consisted of the following:

Cash with Financial Institutions	$1,184,070
Cash on Hand	3,469
	$1,187,539

The custodial credit risk for the cash is as follows:

	Book Balance	Bank Balance
Insured (FDIC)	$ 250,160	$ 250,160
Insured (SIPC)	120,412	120,412
Uninsured, uncollateralized	813,498	863,866
Total	$1,184,070	$1,234,438

The difference between the book and the bank balance is due to reconciling items such as outstanding checks and deposits in transit. The uninsured balance includes cash balances in excess of $250,000 with a single repository. Uninsured, uncollateralized funds in the amount of $813,498 could be offset by debt at the same bank as of June 30, 2011.

Note 2:
(Cont'd)

Deposits are comprised of the following:

Unrestricted Cash	$ 257,031
Restricted Cash	927,039
Total Deposits	$1,184,070

Included in the book balance are a restricted construction fund in the amount of $510,991 and a debt reserve account in the amount of $375,727 held by People's Bank and the Perkins Loan Program fund in the amount of $40,321.

Note 3: RESTRICTED CASH

Restricted cash consists of the following accounts which have been established as required by the 2010 Series A bond on December 31, 2010 and 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.

Current Portion of Restricted Cash:	
Perkins Loan Program Fund	$ 40,321
Total Current Portion	40,321
Noncurrent Portion of Restricted Cash:	
VEHBFA Debt Service Reserve Fund	375,727
VEHBFA Construction Fund	510,991
Total Noncurrent Portion	886,718
Total	$927,039

The VEHBFA Debt Service Reserve Fund was provided to be used for debt payments in the event of a loan default. The VEHBFA Construction Fund was provided to be used for the renovation of the College facilities. The VEHBFA funds and Perkins Loan Program Funds are maintained in cash.

Note 4: TUITION RECEIVABLE

Tuition receivable is as follows:

Tuition Receivable	$170,043
Allowance for Doubtful Accounts	(50,000)
Net Tuition Receivable	$120,043

The College does not charge interest or penalties on tuition receivable.

Students can elect to be on a payment plan and will be charged $75 per semester for that service. All fees charged help support general operations of the College. The College earned $1,125 in payment plan revenue during fiscal year 2011.

Delinquent accounts are sent to a collection agency. Receivables are written off only after all efforts at collection have been attempted.

Note 5: PERKINS LOANS RECEIVABLE

Perkins Loans Receivable	$ 455,503
Less: Current Portion	(189,477)
Long-Term Portion	$ 266,026

Perkins loans are charged five percent (5%) annual interest beginning at the end of a student's nine (9) month grace period. The term of these loans can extend up to ten (10) years. All interest earned is reinvested into the Perkins loan program. Receivables are considered in default when they are more than two hundred and forty (240) days past due. The total of loans that are greater than ninety (90) days past due are $175,546. The balance of loans receivable in default at June 30, 2011 is $121,546.

Loans can enter non-accrual status or deferment if forbearance is granted for financial hardships, poor health or other acceptable reasons. The total amount of loans in non-accrual status at June 30, 2011 is $133,530. There is no allowance for Perkins loans as an offsetting liability, refundable advances, is recorded.

Note 6: CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of the following:

Unconditional promises expected to be collected in:

Less than one (1) year	$ 127,655
One (1) to Five (5) years	176,130
More than Five (5) Years	1,000,000
Total Pledges	1,303,785
Less discount to present value at 3%	(281,940)
Total discounted value of pledges	1,021,845
Less Current Portion	(127,655)
Total Non-Current Portion	$ 894,190

Included in contributions receivable is $99,100 due from Board members, $5,000 from former Board members, and $14,435 due from current employees. Also included is a valid willed settlement estimated at $75,000 from the estate of a former Board member and binding estate gifts of $1,000,000 (before discount).

Note 7: PROPERTY HELD FOR RESALE

Property held for resale consists of the land and building at 11 Lakeview Street. During fiscal year 2011, the College evaluated the use of this property and determined it reasonable to put the property on the market as they had no current use for the property. The fair market value of the property is $125,000. Subsequent to year end, the College entered into a purchase and sale agreement for the sale of this property in the amount of $125,000.

Note 8: PURCHASE OF LAND AND BUILDINGS

During fiscal year 2011, the College completed two significant real estate transactions; the sale of an existing academic building and the purchase of a new campus consisting of three separate lots, two of which have a building on them. The closings on these transactions were finalized on December 31, 2010. Included in Property, Plant and Equipment is land at the new campus valued at $7,640,870, buildings at the new campus valued at $2,332,250, and an improved parking lot valued at $26,880. Land value estimates were based on lot sizes and the appraised per-acre value of the land parcel with no buildings. The value of the improved parking lot was based on an estimated replacement cost of $53,760 and a remaining life of 10 out of 20 years.

Note 9: INVESTMENT IN PLANT

Investment in plant is stated at cost on the date of acquisition or fair market value on the date of donation. The lives and depreciation methods are as follows:

	Method	Lives
Land Improvements	Straight-Line	10 Years
Buildings/Improvements	Straight-Line	5-60 Years
HVAC/Fire/Other Systems	Straight-Line	20 Years
Roofing	Straight-Line	15-25 Years
Equipment	Straight-Line	3-15 Years
Library Books and Art	N/A	N/A

The Library Books and Art are not depreciated because they are considered a collection.

It is the policy of the College to only capitalize assets with a cost of greater than $5,000.

During fiscal year 2011, various assets with a cost of $451,559 and accumulated depreciation of $429,048 were written off during the process of moving to the new campus and facilities resulting in a loss of $22,511.

Note 10: BOND ISSUE COSTS

Legal and bond issue expenses of $106,240 were incurred in financing the new campus purchase. These expenses will be amortized over the 20 year bond term.

The following is a summary of bond issue costs related to the new revenue bond which are being amortized over the life of the bond:

	Total	Accumulated Amortization	Net
Bond Issue Costs	$106,240	$ 2,656	$103,584

Note 11: DEFERRED REVENUE

Deferred revenue consists of the following:

Summer Tuition Revenue	$59,135
Summer Lab Fees Revenue	2,775
Prepaid Summer Rental Revenue	9,000
Prepaid Fiscal Year 2012 Tuition	8,800
Deferred Grant Revenue	225
Total	$79,935

Note 12: POST EMPLOYMENT BENEFITS PAYABLE

The College has an agreement with a former President to pay him a retirement salary of $600 per month for life beginning July 1, 1995, increased each January 1 by the Consumer Price Index but not to exceed 5%. Currently, these payments are $906 per month. The College also agreed to continue paying health insurance premiums for both the former President and his partner for the duration of the former President's life. The College will also reimburse dental expenses up to a total of $2,000 per year, combined, for the former President and his partner. The current cost of the health insurance policies is $1,261 per month. Dental reimbursements for fiscal year 2011 totaled $671. The College has assumed a nine and a quarter percent (9.25%) increase in medical insurance premiums to estimate the liability at June 30, 2011. An estimate of the current value of the payments for life are $269,652.

The College also entered into an agreement with another former President during 2002 to pay his spouse's medical and dental insurance. The current cost of this policy is $250 for health insurance per month. The College also agreed to reimburse dental expenses up to $1,000 per year. Dental reimbursements for fiscal year 2011 totaled $631. The College has assumed a three percent (3.0%) increase in medical insurance premiums to estimate the liability at June 30, 2011. An estimate of the current value of the payments for life are $60,847.

Note 12:
(Cont'd)

The changes in the liability are as follows:

Post Employment Benefits Payable at June 30, 2010	$461,672
2011 Fiscal Year Medical Payment Change Based on Revised Estimates of Future Costs and Changes in Mortality	(99,493)
2011 Fiscal Year Salary Payment	(10,805)
2011 Fiscal Year Medical/Dental Payments	(20,874)
Post Employment Benefits Payable at June 30, 2011	330,500
Less: Current Portion	(32,691)
Post Employment Benefits Payable Long-Term Portion	$297,809

Note 13: BOND/NOTES PAYABLE

Vermont Educational & Health Buildings Financing Agency (VEHBFA) Revenue Bond, People's Bank Trustee, Interest at 4.39%, Monthly payments of interest only until October 2011, at which point monthly payments of principal and interest will be in the amount of $33,511. Maturity date of October 2021, Secured by Burlington College real estate.	$6,700,000
People's Bank - Bridge Loan, Interest payments starting January 2011, interest at 3.25%; principal due December 29, 2011, secured by assignment and pledge of money market account maintained by Antonio B. Pomerleau, LLC. Subsequent to year end, this loan has been extended for an additional twenty-four (24) months.	500,000

Note 13:
(Cont'd)

Roman Catholic Diocese of Burlington, VT (Diocese Note Payable), Accrued interest at 3.6% for the first eighteen (18) months ($197,100) deferred until December 31, 2014 with option to be forgiven if principal has been paid in full by said date. If not paid in full, then accrued interest will be added to principal and paid within six (6) months of final payment, no later than December 31, 2020. Effective July 31, 2012, interest will continue to accrue at 3.6% on the outstanding balance until December 31, 2012, Principal and Interest will be amortized for thirty (30) months on last day of each month beginning July 31, 2012, monthly payments of $36,265, interest rate increasing to greater of 5% per annum or prime rate per Wall St. Journal, not exceeding 7%, principal and interest amortized for seventy-two (72) months beginning December 31, 2014, Secured by Burlington College real estate.	$ 3,650,000
Total Bond/Notes Payable	10,850,000
Less: Prepaid Points, Net of Accumulated Amortization	(16,331)
Net Bond/Notes Payable	10,833,669
Less: Current Portion	(581,985)
Long-Term Portion	$10,251,684

Maturities are as follows:

FY2012	$ 581,985
FY2013	420,001
FY2014	434,949
FY2015	491,220
FY2016	554,028
Thereafter	8,367,817
Total	$10,850,000

Interest on the Diocese note payable in the amount of $65,700 has been accrued. As the interest is not due within the next year, it is categorized as long-term.

The prepaid points totaling $16,750 will be expensed over the term of the loan as part of interest expense.

The VEHBFA bond contains certain covenants including a debt service coverage ratio.

Note 13:
(Cont'd)

The Diocese note payable includes several contingencies based on when the note is paid. The Diocese rented two (2) floors from the College for $15,000 per month from January 1, 2011 through May 31, 2011. The Diocese is obligated to pay the College total rent of $75,000 but only if the note is paid in full by December 21, 2014. Interest on the note is accruing for the first eighteen (18) months for a total of $197,000. If the College pays the note in full by December 21, 2014, the Diocese will forgive the interest.

Note 14: REFUNDABLE ADVANCES

Refundable Advances - U.S. Government represents Perkins/NDSL Loan Funds due back to the U.S. Department of Education if the College discontinues the program. The liability at June 30, 2011 is $489,336.

Note 15: DESIGNATED NET ASSETS

The Board the Trustees have agreed to designate a portion of unrestricted contributions to be added to the College's endowment. The College would like to grow the endowment to the level where there will be enough earnings to provide yearly scholarships. The balance that the Board of Trustees has designated for the endowment as of June 30, 2011 is $28,904.

Note 16: RESTRICTED NET ASSETS

The restricted net assets consist of the following,:

	Temporarily Restricted	Permanently Restricted	Total
Endowment - Cate Fund	$ 0	$72,681	$ 72,681
Endowment Interest	308	0	308
Non-Federal Restricted	1,021,994	0	1,021,994
Loan Funds – Perkins	0	7,963	7,963
Total	$1,022,302	$80,644	$1,102,946

The College holds $120,412 in cash equivalents at Wells Fargo Advisors for the endowments at June 30, 2011. This is $18,519 more than the total Endowment Fund, including unrestricted funds of $28,904, at June 30, 2011.

Note 17: ENDOWMENT FUND

The College's Endowment Fund consists of the following:

Permanently Restricted Net Assets	$ 72,681
Temporarily Restricted Net Assets	308
Unrestricted Net Assets	28,904
Total Endowment Fund	$101,893

All of the College's Endowment Fund is held in a money market account at Wells Fargo Advisors.

The College's endowment consists of one fund that was established to provide scholarships. The endowment includes donor-restricted endowment funds and Board designated funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Accounting Principle

The State of Vermont adopted the Uniform Prudent Management of Institutional Funds Act on May 5, 2009. The College's accounting for unappropriated investment earnings on endowment funds conforms to this law.

Interpretation of Relevant Law

The Board of Trustees of the College has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date 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 (a) the original value of gifts donated to the 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 gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

Note 17:
(Cont'd)

1. The duration and preservation of the fund
2. The purposes of the College 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 College
7. The investment policies of the College

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 UPMIFA requires the College to retain as a fund of perpetual duration. There were no deficiencies of this nature that are reported in unrestricted net assets as of June 30, 2011.

Return Objectives and Risk Parameters

The College has adopted an investment policy for endowment assets that attempts to preserve the real purchasing power of the principal and provide a stable source of perpetual financial support to endowment beneficiaries. The College has not adopted a spending policy. Endowment assets include those assets of donor-restricted funds that College 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 money market account to maintain a steady rate of return.

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 current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The College does not have a current spending policy. The College's intentions are to hold the funds in a money market account and let it grow and then, once funds allow, scholarships will be awarded to students. This is consistent with the College's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Note 17:
(Cont'd)

The Endowment Net Asset composition by type of fund at June 30, 2011 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted Endowment Funds	$ 0	$ 308	$ 72,681	$ 72,989
Board Designated Endowment Funds	28,904	0	0	28,904
Total Funds	$28,904	$ 308	$ 72,681	$101,893

The changes in Endowment Net Assets for the fiscal year ended June 30, 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets Beginning of Year	$ 25,304	$ 2,799	$ 72,681	$100,784
Investment Return:				
Investment Income	0	9	0	9
Total Investment Return	0	9	0	9
Contributions	0	0	0	0
Net Assets – Designated by Board of Trustees	6,100	0	0	6,100
Appropriation of Endowment Assets for Expenditure	(2,500)	(2,500)	0	(5,000)
Endowment Net Assets End of Year	$ 28,904	$ 308	$ 72,681	$101,893

Note 18: SCHOLARSHIPS AND AWARDS

Scholarships and awards consist of the following:

Burlington College Scholarships and Grants	$266,718
Tuition Discounts	52,673
Total	$319,391

Note 19: NET ASSETS RELEASED FROM RESTRICTIONS

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

Purpose Restrictions:	
Instruction	$ 10,000
Student Aid	2,500
Perkins Fund Expenses	7,832
Time Restrictions:	
Contributions Receivable	7,900
Total	$ 28,232

Note 20: PENSION PLAN

A defined contribution pension plan (403b) is available for all full and part time (over 18.75 hours) employees of Burlington College, Inc. that have worked there more than six (6) months. The covered employees can contribute up to 20% and Burlington College, Inc. contributes a percentage of the gross salary for those employees contributing 4% or greater. For the months July – September 2010, the College's contribution was 5% of gross salary. Effective October 2010, the College's contribution returned to the previous level of 7% of gross salary. Total payroll was $1,825,587. Covered payroll was $1,201,299. The pension expense for the 403b plan was $54,490 for the year ended June 30, 2011.

The College also has in effect a 457(b) defined contribution pension plan for the President and Vice Presidents. The amount of the annual contribution is negotiated in these employee's contracts. The total employer contributions to this plan for the year ended June 30, 2011 were $26,500.

Note 21: OPERATING LEASES

Burlington College, Inc. has a lease agreement for three copiers through IKON Financial Services. The lease began in April, 2008 and continues through October, 2011. The monthly payments are $1,026 for the first eleven (11) months and then $2,167 for the remainder of the lease term. These three copiers will be surrendered at the end of the lease period.

In moving to the new campus, the College entered into a new lease agreement for three additional copiers through SymQuest Group. The lease for one copier began December 29, 2010 and continues through December 29, 2014. The monthly payments are $737 for the first six (6) months and $808 thereafter. The lease for the second and third copiers began June 14, 2011 and continues through June 14, 2014. The monthly payments are $1,289.

Total lease expense for the year ended June 30, 2011 was $30,424. The College also incurred overage charges for excess copies in the amount of $7,263.

Future minimum lease payments are as follows:

FY2012	$ 33,820
FY2013	25,152
FY2014	25,152
FY2015	20,307
	$104,431

Note 22: DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced sale or liquidation. The College has determined that the carrying values of its financial assets and liabilities approximate fair value at June 30, 2011.

Note 23: ECONOMIC DEPENDENCE

The College receives substantial grant/loan funds from the U.S. Department of Education and is dependent upon this funding to support its activities and operations. This funding is not guaranteed for future years beyond 2012. Loss of these funds could jeopardize the College's ability to continue its activities and operations.

Note 24: COMMITMENTS

The College's President had an employment contract with the College through June 30, 2013. Subsequent to year-end, the President resigned from the College and a transition agreement was entered into. The transition period will commence on October 13, 2011 for one (1) year. The President will be paid for the year, over the following two (2) years, at an annual rate of $149,380 including all customary benefits. In addition, the President will receive additional payments into her retirement plans totaling $21,415 and deferred bonus of $15,000 and a lump sum final payment of $15,000.

On June 24, 2011, the College entered into a contract with a vendor for lighting upgrades for a total cost of $353,438. Also, on June 30, 2011, the College entered into another contract with a vendor for electrical work for code compliance in the amount of $118,375. Services commenced on these projects subsequent to year end.

Note 25: RELATED PARTY TRANSACTIONS

In 2011, the College received $5,400 in fulfillment of prior year pledges from employees, $3,205 in new cash gifts from employees, and $1,005 in new pledges from employees to be fulfilled in the future.

In 2011, the College received $2,500 in fulfillment of prior year pledges from Board and former Board members, $70,020 in new cash gifts from Board and former Board members, and $100,600 in new pledges from Board and former Board members to be fulfilled in the future, including a pledged $25,000 estate gift.

In 2011, the College received an in-kind donation of a poetry book collection from a Board member, valued at $13,800.

In 2011, the College conducted a study abroad program in environmental studies and film-making in the Bahamas for one week. The eight (8) students and two (2) faculty members stayed at a facility owned by a Board member's family and were charged an all-inclusive rate less than the fair market value. The total amount paid by the College was $10,350 and the College received an in-kind donation in the amount of $7,650.

In 2011, the College leased space, materials and equipment from a local woodworking school that is owned by the President's daughter. The total amount paid by the College was $133,134.

Note 26: SUBSEQUENT EVENTS

Subsequent to year end, the College obtained a line of credit from People's United Bank for $250,000 with interest equal to the Prime Rate as published daily in the Wall Street Journal, with a floor of 4%, and maturing on December 3, 2012. The purpose of the line of credit is to support working capital needs.

All subsequent events have been evaluated through February 6, 2012, which is the date the financial statements are dated.

BURLINGTON COLLEGE, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Grant Title Federal Grant/Program Title	CFDA Number	Expenses	
U.S. Department of Education			
Federal Supplemental Education Opportunity Grant (FSEOG)	84.007(a)	$ 50,072	
Federal Work Study (FWS)	84.033(a)	46,940	
PELL Grant	84.063(a)	360,110	
Perkins Loan Program	84.038(a)	7,832	(b)
Federal Direct Student Loans (Direct Loan)	84.268(a)	1,594,029	(c)
Academic Competitiveness Grant (ACG)	84.375(a)	13,538	
Total U.S. Department of Education		2,072,521	
Total Expenditures of Federal Awards		$ 2,072,521	

(a) Denotes All Student Financial Aid Programs Considered as a Cluster of One (1) Major Program.

(b) Expenses Valued at Federal Expenses Plus New Federal Capital Contributions During the Year

Cash Balance at June 30, 2011:	$ 40,321
Loan Balance at June 30, 2011:	$ 455,503
The Value of New Loans Issued During the Year Ended June 30, 2011:	$ 63,500

(c) The Value of New Loans Issued During the Year Ended June 30, 2011.

The Schedule of Expenditures of Federal Awards includes the Federal grant activity of Burlington College, Inc. and was prepared using the significant accounting policies outlined in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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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
Burlington College, Inc.
351 North Avenue
Burlington, Vermont 05401

We have audited the financial statements of Burlington College, Inc. as of and for the year ended June 30, 2011 and have issued our report thereon dated February 6, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burlington College, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Burlington College, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Burlington College, Inc.'s internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Burlington College, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

However, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in internal control over financial reporting. 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. We consider Item 11-1, as described in the accompanying Schedule of Findings and Deficiencies in Internal Control, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burlington College, Inc.'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".

We also noted other matters that we reported to the management of Burlington College, Inc. in a separate letter dated February 6, 2012.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 6, 2012
Montpelier, Vermont
Vt Lic. #92-000180

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Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Trustees
Burlington College, Inc.
351 North Avenue
Burlington, Vermont 05401

Compliance

We have audited the compliance of Burlington College, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) "Circular A-133 Compliance Supplement" that could have a direct and material effect on Burlington College, Inc.'s major federal program for the year ended June 30, 2011. Burlington College, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Deficiencies in Internal Control. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Burlington College, Inc.'s management. Our responsibility is to express an opinion on Burlington College, Inc.'s compliance based on our audit.

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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 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 Burlington College, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Burlington College, Inc.'s compliance with those requirements.

In our opinion, Burlington College, Inc. complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Burlington College, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Burlington College, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Burlington College, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined previously.

This report is intended solely for the information and use of management, Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

February 6, 2012
Montpelier, Vermont
Vt Lic. #92-000180

Sullivan, Powers & Company

BURLINGTON COLLEGE, INC.
SUMMARY SCHEDULE OF PRIOR FINDINGS
AND DEFICIENCIES IN INTERNAL CONTROL
JUNE 30, 2011

There were no prior year findings.

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report Issued:
Unqualified.

Internal Control Over Financial Reporting:
Material Weaknesses:
No.

Significant Deficiencies identified not considered to be material weaknesses:
One (1) noted.

Noncompliance material to financial statements:
None noted.

Federal Awards

Internal Control Over Major Programs:
Material Weaknesses identified:
No.

Significant Deficiencies identified not considered to be material weaknesses:
No.

Type of auditor's report issued on compliance for major programs:
Unqualified.

There are no audit findings that are required to be reported in accordance with OMB Circular A-133, Section 510(a).

The major programs are part of a cluster and are as follows:

CFDA #	Program
84.007	Federal Supplemental Education Opportunity Grants (FSEOG)
84.033	Federal Work Study (FWS)
84.063	PELL Grant
84.038	Perkins Loan Program
84.268	Federal Direct Student Loans (Direct Loan)
84.375	Academic Competitiveness Grant (ACG)

The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

The auditee does qualify as a low risk auditee.

Deficiencies in Internal Control:

Material Weaknesses:

None Noted.

Significant Deficiencies:

<u>11-1 Segregation of Duties – Disbursements</u>

Criteria:

Internal controls over the processing of disbursements should be in place to ensure that the final approval of disbursements is documented after the bookkeeper processes the checks for payment.

Condition:

The individual who processes disbursements obtains final approval for payment of disbursements prior to processing the checks. Once the checks are actually processed, there is no review to determine that the checks agree with the invoices that were approved for payment. All checks are signed without any supporting documentation.

Cause:

Unknown.

Effect:

The College has inadvertently made its assets susceptible to misappropriation.

Recommendation:

We recommend that the College revise their procedures over disbursements to ensure that the supporting documentation is compared to the checks.

Management Response:

Subsequent to the audit, the College has implemented a revised procedure for processing disbursements. Under the new system, the bookkeeper prepares a summary report of all accrued invoices waiting for payment, with the invoices attached for review. The VP for Administration and Finance reviews the summary report and also reviews the attached invoices to ensure accurate GL account assignments and departmental approvals. The VP then indicates in writing (by checkmarks on the report) which invoices are authorized for payment. After the checks have been prepared, the bookkeeper provides the VP with the original marked up summary report and the final check run report. After comparing the check run with the preliminary accounts payable report to confirm that only the indicated invoices were paid, and looking for any irregularities such as gaps in the check number sequence, the VP signs approval of the entire packet (AP report and check report) and the checks are mailed.