



MIDDLEBURY

Consolidated Financial Statements

June 30, 2021

(with summarized comparative information as of and
for the year ended June 30, 2020)

(With Independent Auditors' Report Thereon)

MIDDLEBURY

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KPMG LLP
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Independent Auditors' Report

The President and
Fellows of Middlebury College:

We have audited the accompanying consolidated financial statements of the President and Fellows of Middlebury College (Middlebury), which comprise the consolidated statement of financial position as of June 30, 2021, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Middlebury at June 30, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report on Summarized Comparative Information

We have previously audited Middlebury's 2020 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 28, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

October 28, 2021

MIDDLEBURY

Consolidated Statements of Financial Position

June 30, 2021 and 2020

(Amounts in thousands)

Assets	2021	2020
Cash and cash equivalents	\$ 20,347	14,606
Restricted cash	10,000	—
Accounts receivable, net	4,595	3,051
Inventories, prepaid expenses, and other assets	3,908	3,650
Contributions receivable, net	13,333	19,379
Student loans receivable, net	8,546	9,173
Investments	1,535,106	1,136,764
Beneficial interest in perpetual trusts	35,767	28,950
Land, buildings, and equipment, net	362,749	364,538
Total assets	\$ <u>1,994,351</u>	<u>1,580,111</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 44,105	45,006
Deferred revenues	15,310	11,494
Funds held for others	8,763	8,773
Annuities and other split-interest obligations	30,010	27,185
Refundable government loan funds	3,965	5,099
Lease obligations	4,132	—
Long-term debt, net	300,526	268,093
Total liabilities	<u>406,811</u>	<u>365,650</u>
Net assets:		
Without donor restrictions	220,852	175,765
With donor restrictions	1,366,688	1,038,696
Total net assets	<u>1,587,540</u>	<u>1,214,461</u>
Total liabilities and net assets	\$ <u>1,994,351</u>	<u>1,580,111</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2021

(with summarized comparative information for the year ended June 30, 2020)

(Amounts in thousands)

	Without donor restrictions	With donor restrictions	Total	
			2021	2020
Operating revenues and other support:				
Net comprehensive and other student fees	\$ 140,597	—	140,597	157,502
Contributions	7,565	9,261	16,826	17,597
Sponsored activities	16,519	—	16,519	13,536
Investment return, net:				
Endowment distribution and investment income	13,003	46,421	59,424	57,646
Other sources	9,386	—	9,386	13,651
Net assets released from restrictions	60,123	(60,123)	—	—
Total operating revenues and other support	247,193	(4,441)	242,752	259,932
Operating expenses:				
Salaries	121,785	—	121,785	132,689
Benefits	46,483	—	46,483	45,011
Building and maintenance	14,918	—	14,918	15,706
Fees for services	15,554	—	15,554	17,574
Equipment and supplies	8,345	—	8,345	7,594
Travel and entertainment	949	—	949	7,456
Other expenses	20,667	—	20,667	21,409
Interest expense	9,214	—	9,214	10,371
Depreciation and amortization	21,239	—	21,239	19,593
Total operating expenses	259,154	—	259,154	277,403
Change in net assets from operations	(11,961)	(4,441)	(16,402)	(17,471)
Nonoperating activities:				
Endowment return, net of distribution	54,653	310,088	364,741	(23,393)
Other investment income, net	2,391	16,405	18,796	(1,403)
Contributions, net	10	9,385	9,395	23,541
Change in value of deferred gifts	(480)	(4,197)	(4,677)	(997)
Other	474	752	1,226	(2,903)
Total nonoperating activities, net	57,048	332,433	389,481	(5,155)
Change in total net assets	45,087	327,992	373,079	(22,626)
Net assets, beginning of year	175,765	1,038,696	1,214,461	1,237,087
Net assets, end of year	\$ 220,852	1,366,688	1,587,540	1,214,461

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Amounts in thousands)

	2021	2020
Cash flows from operating activities:		
Change in total net assets	\$ 373,079	(22,626)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	21,239	19,593
Contributions restricted for long-term investments	(15,917)	(19,927)
Real property and other in-kind contributions	(59)	(114)
Amortization of bond issuance costs and bond premium	(1,715)	(1,143)
Gain on defeasement of debt	(2,898)	(963)
Loss on disposal of buildings and equipment	514	110
Contributions receivable bad debt allowance	4,948	562
Change in value of split interest agreements	2,825	(1,974)
Realized and unrealized gain on investments	(444,090)	(31,545)
Unrealized (gain) loss on contributions receivable from remainder trusts	(776)	222
Unrealized (gain) loss on beneficial interest in perpetual trusts	(6,817)	523
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,544)	4,173
Contributions receivable	1,874	2,726
Inventories, prepaid expenses, and other assets	(258)	751
Accounts payable and accrued expenses	(594)	(6,229)
Deferred revenues	3,816	(7,137)
Funds held for others	(10)	(3,344)
Other	(1,134)	(3,419)
Net cash used in operating activities	(67,517)	(69,761)
Cash flows from investing activities:		
Proceeds from sales of investments	287,322	226,152
Purchases of investments	(241,574)	(153,846)
Purchases of property and equipment	(15,661)	(17,252)
Student loans granted	(807)	(885)
Student loans repaid	1,587	1,745
Net cash provided by investing activities	30,867	55,914
Cash flows from financing activities:		
Contributions restricted for long-term investment	15,917	19,927
Proceeds from issuance of long-term debt	118,183	50,045
Bond premium on new debt	19,814	11,369
Payments on bonds and notes payable	(101,523)	(64,599)
Advance from line of credit	65,000	10,000
Payment of advance from line of credit	(65,000)	(10,000)
Net cash provided by financing activities	52,391	16,742
Net change in cash and cash equivalents	15,741	2,895
Cash, cash equivalents and restricted cash:		
Beginning of year	14,606	11,711
End of year	\$ 30,347	14,606
Supplemental data:		
Cash and cash equivalents as shown in the Statements of Financial Position	\$ 20,347	14,606
Restricted Cash as shown in the Statements of Financial Position	10,000	—
Interest paid	10,928	11,514
Change in amounts accrued for purchase of property and equipment	307	(86)

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(In thousands of dollars)

(1) Organization

The President and Fellows of Middlebury College (Middlebury) was founded in 1800 as a liberal arts college. The undergraduate institution, Middlebury College (the College), is a leading liberal arts college with an emphasis on literature, sciences, languages, international studies and environmental studies. The College has approximately 2,500 undergraduate students from all 50 states and 70 countries. Approximately 70% of the students are from outside of New England. Over one-half of the students spend at least one semester off campus, primarily outside of the United States of America. In addition to the Middlebury campus, the College has schools located in Argentina, Brazil, Cameroon, Chile, China, France, Germany, India, Italy, Japan, Jordan, Morocco, Russia, Spain, the United Kingdom, and Uruguay.

The Middlebury Schools are comprised of Schools Abroad, Language Schools, School of the Environment, and Bread Loaf Programs. The Schools enroll more than 2,800 students and offer undergraduate and graduate programs in a variety of programs.

- The Schools Abroad Program provides undergraduate and graduate programs in 17 countries. Students take courses in most subjects, often with host country students, intern or engage in volunteer work, and live with a family or local students. The participants in the Middlebury Schools Abroad Program have a commitment to language and cultural immersion.
- The Language Schools, which began operations in 1915 focus on educating undergraduate and graduate language students from many disciplines at two sites in the United States and two sites abroad. There are programs in Arabic, Chinese, French, German, Hebrew, Italian, Japanese, Korean, Portuguese, Russian, and Spanish with a goal to improve languages and intercultural skills. The Language Schools provide access to language education through an interactive, immersion environment by incorporating linguistics, literature, culture, and area studies.
- The School of the Environment is a six-week undergraduate program held in the Yunnan province, China offering leadership training, lab and field work, and interdisciplinary courses.
- Middlebury offers two Bread Loaf Programs, the Bread Loaf School of English and the Bread Loaf Writers' Conference. Beginning in 1920, the Bread Loaf School of English has offered graduate courses in literature, the teaching of writing, creative writing, and theater arts to students from across the United States and the world. The Bread Loaf School of English offers summer sessions in Vermont, New Mexico, and at Oxford in the United Kingdom. The Bread Loaf Writers' Conference is the oldest writers' conference in America, held each summer in June and August at Middlebury's Bread Loaf Mountain campus amid the Green Mountain National Forest in Ripton, Vermont, and in September in Erice, Italy.

The Middlebury graduate school, the Middlebury Institute of International Studies at Monterey, (the Institute), is located in Monterey, California. The Institute enrolls approximately 700 students and provides higher education in translation, interpretation and language education and international policy management. In addition, there are four research centers at the Institute, the James Martin Center for Nonproliferation Studies, the Center for the Blue Economy, the Center for Conflict Studies in Monterey and the Vienna Center for Disarmament and Nonproliferation in Vienna, Austria.

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(In thousands of dollars)

Delineation Corporation, an affiliated entity of Middlebury, is a nonprofit organization founded to hold certain property. Middlebury advances funds to Delineation Corporation for expenses incurred for maintenance of real property.

Tax-Exempt Status

Middlebury and its affiliates are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and they recognize the effect of income tax positions only if those positions are more likely than not of being sustained by a taxing authority. Middlebury and its affiliates believe they have no significant uncertain tax positions.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include Middlebury and its affiliated entities. All inter-entity transactions have been eliminated in consolidation.

(b) Basis of Accounting

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), on the accrual basis of accounting and present net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions: Net assets not subject to donor-imposed stipulations. Net assets, without donor restrictions may be designated for specific purposes by the Board of Trustees.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that expire through the passage of time or can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by donor or by law. Expirations in subsequent years of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from restrictions between the applicable classes of net assets.

Nonoperating activities include net return on investments, less amounts distributed for operating purposes, contributions for long-term investment such as endowment and capital, certain software implementation costs and the change in value of deferred gifts.

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June 30, 2021 and 2020

(In thousands of dollars)

For comparison purposes, the 2021 statement of activities has been presented with 2020 summarized comparative information in total but not by net asset class. This summarized 2020 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with the Middlebury's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP 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 dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Student Tuition and Fee Revenue

The College charges undergraduate students attending the Vermont campus a comprehensive fee which includes the cost of tuition, room and board, and fees. The Institute charges its graduate students tuition and related fees.

Tuition, fees and auxiliary student revenues are presented in the statement of activities at the transaction price, (i.e., net of any institutional student aid). Revenue from student education, residence and dining services are recognized as the services are provided over the academic year, which generally aligns with Middlebury's fiscal year. For fiscal year 2021, comprehensive student fees were \$214,561 and financial aid was \$73,964. For fiscal year 2020, comprehensive student fees were \$231,686 and financial aid was \$74,184.

Auxiliary enterprises include the operations of the dining services, residential halls, bookstores, Snow Bowl, Carroll and Jane Rikert Nordic Center, and the Ralph Myhre Golf Course. Revenues from auxiliary enterprises, except for the revenue from residential and dining halls, are included in other sources of operating revenues in the statement of activities. The revenues derived from residential and dining halls are included in net comprehensive and other student fees.

(e) Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts not held for investment purposes. Cash equivalents have original maturities of three months or less. Cash equivalents held for investment purposes are not considered cash and cash equivalents on the statement of cash flows.

(f) Contributions

Contributions, including interests in perpetual trusts held by others, unconditional promises to give and noncash assets, are recognized as revenue in the period received at fair value on the date of the contribution. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

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(In thousands of dollars)

Contributions of land, buildings, and equipment without donor stipulations are reported as nonoperating revenue. Contributions of cash or other assets which a donor has stipulated be used to acquire land, buildings, and equipment are reported as restricted nonoperating revenue. The restrictions are considered to be released when assets are placed in service.

(g) Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates at the date of the contribution that range from 1.0% to 5.5%. The present value is calculated using a risk-free rate of return adjusted for the credit risk. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

(h) Fair Value

The fair value accounting standard defines fair value and establishes a framework for measuring fair value. The framework provides a hierarchy that 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this principle are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Middlebury has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Middlebury utilizes the net asset value (NAV) as a practical expedient to estimate the fair value of those funds whose values are determined by the appropriate manager or general partner. Such NAV-measured funds are not categorized in the fair value hierarchy.

Investments reported at NAV consist of shares or units in funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable and not difficult to value. The majority of these fund managers are registered as required by the Securities and Exchange Commission.

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(In thousands of dollars)

Certain investments in funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

The fair value measurement level of the asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

These valuations may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Middlebury believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Because of the inherent uncertainty of valuations, the estimated values as determined by the appropriate manager or general partners may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

(i) Derivatives

Middlebury records all derivatives, except those qualifying for the normal purchase/normal sale exception, at fair value. Fair value is determined using a valuation model utilizing market observable inputs.

(j) Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts includes irrevocable trusts established for the benefit of Middlebury whereby the principal is held in perpetuity by others and the earnings are remitted to Middlebury. The interest in perpetual trusts is recorded at fair value, which is estimated to equal the fair value of the trust assets.

(k) Land, Buildings, and Equipment

Land, buildings, equipment, arts and antiques are recorded at cost at the date of acquisition or fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated lives of the depreciable assets, as follows (in years):

	<u>Estimated useful lives</u>
Category:	
Land improvements	20–30
Buildings and improvements	20–60
Equipment	4–10

Arts and antiques are maintained as collections and, accordingly, are not depreciated.

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(In thousands of dollars)

(l) Asset Retirement Obligation

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Middlebury records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Middlebury ARO liabilities are reduced when the related obligation is settled. Middlebury has recorded an ARO liability in accrued expenses of \$5,265 and \$5,010 at June 30, 2021 and 2020, respectively.

(m) Deferred Revenues

Deferred revenues consist primarily of student fees related to Middlebury and its language schools, primarily related to payments for services that have not yet been rendered. This liability account also consists of the multi-year prepayment plan, summer school billing (net of financial aid), and sponsored activity. Deferred revenues are typically recognized as revenue within the subsequent fiscal year.

(n) Funds Held for Others

Middlebury acts as a custodian or fiscal agent for student organizations, certain long-term faculty professional development funds, and certain endowment funds for various organizations. These endowment funds are not included the endowment assets.

(o) Annuities and Other Split-Interest Obligations

Donors have made contributions with the stipulation that their contributions be invested and all or a portion of the resulting income be paid to beneficiaries during their lifetimes. Upon the death of the named beneficiaries, the assets become the property of Middlebury. These contributions are recorded in revenue at fair value with corresponding estimated liabilities for future amounts payable to other beneficiaries recorded in annuities and other split interest obligations. The liabilities associated with these gifts are adjusted to fair value at each reporting period using the terms of the related gift instrument.

(p) Refundable Government Loan Funds

Refundable government loan funds represent Perkins loan funds provided to students by the federal government through Middlebury. Middlebury is required to collect the loans on behalf of the federal government. The amounts due from the students are reported in the financial statements as student loans receivable. The amount due to the federal government, upon full liquidation of the program, is reported as refundable government loan fund on the statement of financial position. The Perkins Loan Extension Act of 2015 (the Act) ended the authority of participating institutions to make new Perkins Loans to students on September 30, 2017. The Act also requires each participating institution to refund to the federal government an amount calculated annually based on remaining outstanding loans and other factors.

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(In thousands of dollars)

(q) Sponsored Activities

Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments, and private foundations.

(r) Subsequent Events

Middlebury considers events or transactions that occur after the statement of financial position date but before the financial statements are issued to provide for additional evidence relative to certain estimate or to identify matters that require additional disclosure. These financial statements were issued on October 28, 2021, and subsequent events have been evaluated through that date.

(3) Recent Accounting Pronouncements

ASU 2016-02, Leases (Topic 842), as amended, requires, among other things, a lessee to recognize a right-of-use asset representing an entity's right to use the underlying asset for the lease term and a liability for lease payments on the statement of financial position, regardless of classification of a lease as an operating or finance lease. As permitted by the ASU, for leases with a term of twelve months or less as a lessee, Middlebury has elected not to recognize lease assets and liabilities and account for the lease similar to existing guidance for operating leases. Additional disclosures are also required under this guidance. Middlebury elected the package of practical expedients to adopt these changes which permits not reassessing 1) the lease classification for existing or expired leases, 2) the identification of existing or expired contracts as leases, and 3) any initial direct costs for existing or expired leases as of the effective date.

Middlebury adopted ASU 2016-02 as of July 1, 2020 resulting in right-of-use assets and related lease obligations of \$5,399 being recognized in the statement of financial position. The guidance did not materially impact Middlebury's results of operations.

Middlebury determines if an arrangement is a lease at inception. operating leases are included in right of use assets, and the related lease obligations in the balance sheet. Lease right-of-use assets represent Middlebury's right to use an underlying asset for the lease term. Lease obligations represent Middlebury's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments.

Cash paid for amounts included in the measurement of these operating lease liabilities for the year ended June 30, 2021 was \$1,486.

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Notes to Consolidated Financial Statements

June 30, 2021 and 2020

(In thousands of dollars)

(4) Liquidity and availability

Resources available to Middlebury to fund general expenditures, including debt service payments and construction projects not financed with debt, have seasonal variations related to the timing of tuition and comprehensive fee payments, receipt of gifts and pledges, and transfers from the endowment. Middlebury actively monitors and manages these resources utilizing a combination of short and long term investment strategies to align cash inflows and expected outflows in accordance with policy. At June 30, 2021 and 2020, existing financial assets and liquidity resources available within one year were as follows:

	2021	2020
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 20,347	14,606
Operating investments, invested in the long-term pool	—	4,736
Accounts receivable, net	4,595	3,051
Fiscal 2022 and 2021 budgeted endowment appropriation	55,318	58,511
	80,260	80,904

Additionally, Middlebury has \$234,748 as of June 30, 2021, in board-designated endowment without donor restrictions and a line of credit of \$50,000 as referenced in note 9. Although Middlebury does not intend to spend from its board-designated endowment funds, other than amounts appropriated for operations, amounts could be made available if necessary subject to liquidity as outlined in note 6.

(5) Receivables

(a) Accounts Receivable

Accounts receivable consists of receivables for annual comprehensive fees, graduate school tuition, schools abroad tuition, and summer school room, board, and tuition. The provision for uncollectible amounts was \$185 and \$290 as of June 30, 2021 and 2020, respectively.

(b) Contributions Receivable

Contributions receivable consists of the following at June 30, 2021 and 2020:

	2021	2020
Due less than one year	\$ 5,853	8,682
One to five years	4,264	8,936
	10,117	17,618
Less discount and allowance	(294)	(973)
	9,823	16,645
Contributions receivable from remainder trusts	3,510	2,734
	\$ 13,333	19,379

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June 30, 2021 and 2020

(In thousands of dollars)

(6) Investments

Middlebury has developed a diversified endowment investment portfolio with a strong orientation to equity investments and to strategies designed to take advantage of market inefficiencies. The investment objectives guide the asset allocation policy and are achieved in partnership with external investment managers operating through a variety of vehicles, including separate accounts, limited partnerships, and commingled funds. Investments in real estate and mortgages include investment in real estate partnerships.

Alternative equity managers seek to generate high returns regardless of the direction of the overall stock market and may use derivatives to exploit inefficiencies in securities markets. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps, and other vehicles that may be appropriate in certain circumstances. The risk in alternative equity funds is limited to the amount it currently has invested in the funds. The risk in private equity partnerships is limited to the amount it currently has invested in the funds, legally obligated uncalled capital commitments to the funds, and certain distributions previously received.

As of June 30, 2021 and 2020, Middlebury had outstanding commitments of \$428,534 and \$317,269, respectively, to fund private partnerships (private equity, hedge and other) over a multi-year period. These capital calls are expected to be funded with cash on hand or using proceeds of liquidated securities.

Middlebury has \$393,973 and \$283,187 of the investment portfolio at June 30, 2021 and 2020, respectively, invested in funds which invest in international securities. These investments are subject to the additional risk of currency fluctuations. Also included in investments are \$60,865 and \$50,343 at June 30, 2021 and 2020, respectively, for split-interest agreements.

The components of total investment return from all sources consist of the following for the years ended.

	<u>2021</u>	<u>2020</u>
Interest, dividends, and other income, net	\$ (692)	1,795
Realized gains	112,238	92,517
Unrealized gain (loss), net	<u>331,852</u>	<u>(60,972)</u>
	<u>\$ 443,398</u>	<u>33,340</u>

Direct external investment management fees were \$10,122 and \$6,268 in 2021 and 2020, respectively, and are netted against interest, dividends, and other income in the table above. Purchase and sale transactions are recorded on a trade date basis.

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(In thousands of dollars)

The following table represents financial assets and liabilities by fair value hierarchy category as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV and other valuation methods</u>	<u>Total</u>
Investments at fair value:					
Money market funds	\$ 17,711	—	—	—	17,711
Equity securities	89,390	—	—	—	89,390
Debt securities	92,431	—	—	—	92,431
Real estate and mortgages	8,062	—	8,000	—	16,062
Private equity	—	—	9,267	—	9,267
Other investments	137	—	49	—	186
	<u>207,731</u>	<u>—</u>	<u>17,316</u>	<u>—</u>	<u>225,047</u>
Investments measured at net asset value:					
Equity securities	—	—	—	307,588	307,588
Alternative equities	—	—	—	397,082	397,082
Real estate and mortgages	—	—	—	922	922
Private equity partnerships	—	—	—	603,721	603,721
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,309,313</u>	<u>1,309,313</u>
Investments valued using other methods					
	<u>—</u>	<u>—</u>	<u>—</u>	<u>746</u>	<u>746</u>
Total investments	<u>\$ 207,731</u>	<u>—</u>	<u>17,316</u>	<u>1,310,059</u>	<u>1,535,106</u>
Other assets:					
Remainder trusts	\$ —	—	3,510	—	3,510
Perpetual trusts	—	—	35,767	—	35,767
Total other assets	<u>\$ —</u>	<u>—</u>	<u>39,277</u>	<u>—</u>	<u>39,277</u>

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The following table represents financial assets and liabilities by fair value measurements as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV and other valuation methods</u>	<u>Total</u>
Investments at fair value:					
Money market funds	\$ 27,562	—	—	—	27,562
Equity securities	72,047	—	—	—	72,047
Debt securities	75,908	—	—	—	75,908
Real estate and mortgages	6,381	—	8,000	—	14,381
Private equity	—	—	5,967	—	5,967
Other investments	222	—	346	—	568
Total investments at fair value	<u>182,120</u>	<u>—</u>	<u>14,313</u>	<u>—</u>	<u>196,433</u>
Investments measured at net asset value:					
Equity securities	—	—	—	229,276	229,276
Alternative equities	—	—	—	319,300	319,300
Real estate and mortgages	—	—	—	1,249	1,249
Private equity partnerships	—	—	—	389,683	389,683
Total investments at net asset value	<u>—</u>	<u>—</u>	<u>—</u>	<u>939,508</u>	<u>939,508</u>
Investments valued using other methods	<u>—</u>	<u>—</u>	<u>—</u>	<u>823</u>	<u>823</u>
Total investments	<u>\$ 182,120</u>	<u>—</u>	<u>14,313</u>	<u>940,331</u>	<u>1,136,764</u>
Other assets:					
Remainder trusts	\$ —	—	2,734	—	2,734
Perpetual trusts	—	—	28,950	—	28,950
Total other assets	<u>\$ —</u>	<u>—</u>	<u>31,684</u>	<u>—</u>	<u>31,684</u>

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Detailed liquidity of Middlebury's investments as of June 30, 2021 and June 30, 2020 is as follows:

		June 30, 2021					
		Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	\$	17,711	—	—	—	—	17,711
Equity securities		89,390	193,843	113,745	—	—	396,978
Alternative equities		—	—	397,082	—	—	397,082
Debt securities		92,431	—	—	—	—	92,431
Real estate and mortgages		8,062	—	—	—	8,665	16,727
Private equity		—	—	—	—	612,988	612,988
Other investments		137	—	—	—	1,052	1,189
Total	\$	207,731	193,843	510,827	—	622,705	1,535,106

		June 30, 2020					
		Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	\$	27,562	—	—	—	—	27,562
Equity securities		72,048	137,899	91,376	—	—	301,323
Alternative equities		—	—	319,300	—	—	319,300
Debt securities		75,908	—	—	—	—	75,908
Real estate and mortgages		6,381	—	—	—	8,920	15,301
Private equity		—	—	—	—	395,650	395,650
Other investments		222	—	—	—	1,498	1,720
Total	\$	182,121	137,899	410,676	—	406,068	1,136,764

Middlebury enters into derivative instruments such as futures for trading purposes. Middlebury may enter into U.S. Treasury, equity or index option and futures contracts to enhance liquidity and maintain market exposure.

Contracts in a net asset position are included in investments on the statement of financial position, and contracts in a net liability position are included in liabilities associated with investments on the statement of financial position. At June 30, 2021 Middlebury held certain index future contracts in a net asset position of \$113. At June 30, 2020 Middlebury held certain index future contracts in a net liability position of \$64. Middlebury posted collateral on the index futures contracts of \$382 and \$5,827 at June 30, 2021 and June 30, 2020, respectively. The long notional amounts of the index futures contracts were \$8,148 and \$5,679 at June 30, 2021 and June 30, 2020, respectively.

As of June 30, 2021, there were 38 futures contracts open. The volume of futures is based on the quarterly number of contracts held during the year. For the year ended June 30, 2021, the average number of contracts for futures was 71.

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The following table summarizes the Level 3 activity for the year ended June 30, 2021:

	Beginning balance at June 30, 2020	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2021
Level 3 assets:						
Real estate and mortgages	\$ 8,000	—	—	—	—	8,000
Private equity	5,967	—	3,300	—	—	9,267
Other investments	346	454	(297)	—	(454)	49
Total investments	14,313	454	3,003	—	(454)	17,316
Remainder trusts	2,734	—	776	—	—	3,510
Perpetual trusts	28,950	—	6,817	—	—	35,767
Total investments and other assets	\$ 45,997	454	10,596	—	(454)	56,593

The following table summarizes the Level 3 activity for the year ended June 30, 2020:

	Beginning balance at June 30, 2019	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2020
Level 3 assets:						
Real estate and mortgages	\$ 8,000	—	—	—	—	8,000
Private equity	5,824	—	160	—	(17)	5,967
Other investments	332	201	14	—	(201)	346
Total investments	14,156	201	174	—	(218)	14,313
Remainder trusts	2,956	—	(222)	—	—	2,734
Perpetual trusts	29,473	—	(523)	—	—	28,950
Total investments and other assets	\$ 46,585	201	(571)	—	(218)	45,997

There were no transfers between the fair value hierarchy levels in 2021 or 2020.

(7) Endowment

The endowment consists of donor-restricted endowment funds and board-designated funds to function as endowment for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor – imposed restrictions. Middlebury classifies as net assets with donor restrictions, (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 donor gift instrument at the time the accumulation is added to the fund, and (d) unspent, appreciation on the permanent endowment. The unspent appreciation is classified in net assets with donor restrictions until those amounts are appropriated

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for expenditure by Middlebury in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (both Vermont and California) UPMIFA statutes.

In accordance with the UPMIFA statutes, Middlebury considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of Middlebury 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 Middlebury
- (7) The investment policies of Middlebury

The endowment for the years ended June 30, 2021 and 2020, delineated by net asset class and donor-restricted versus Board-designated funds were as follows:

	June 30, 2021		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	1,276,253	1,276,253
Board-designated endowment funds	234,748	—	234,748
Total endowment funds			
June 30, 2021	\$ 234,748	1,276,253	1,511,001
	June 30, 2020		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$ —	951,782	951,782
Board-designated endowment funds	177,126	—	177,126
Sub-total	177,126	951,782	1,128,908
Working capital funds	4,736	—	4,736
Total endowment funds			
June 30, 2020	\$ 181,862	951,782	1,133,644

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(a) Changes in Endowment

Changes to the endowment for the year ended June 30, 2021 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 181,862	951,782	1,133,644
Total investment return, net	67,656	356,509	424,165
Contributions	—	15,917	15,917
Appropriation of endowment assets for spending distribution	(8,822)	(46,421)	(55,243)
Appropriation of working capital assets and other for spending distribution	(6,002)	—	(6,002)
Transfer to/from designated endowment funds	54	(1,534)	(1,480)
Endowment net assets at end of year	<u>\$ 234,748</u>	<u>1,276,253</u>	<u>1,511,001</u>

Changes to the endowment for the year ended June 30, 2020 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 211,297	946,489	1,157,786
Total investment return, net	5,740	28,514	34,254
Contributions	—	19,927	19,927
Appropriation of endowment assets for spending distribution	(8,949)	(43,697)	(52,646)
Appropriation of working capital assets for spending distribution	(26,226)	—	(26,226)
Transfer to/from designated endowment funds	—	549	549
Endowment net assets at end of year	<u>\$ 181,862</u>	<u>951,782</u>	<u>1,133,644</u>

(b) Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

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When donor-restricted endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficits of this nature were \$0 and \$49 as June 30, 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>
Aggregate amount by which funds are underwater	\$ —	(49)
Aggregate of original gift amount	—	6,725
Fair value of underwater endowments	—	6,676

(c) Distribution Policy

The Board of Trustees approves a distribution of investment return based on the average per share market value of the pooled investments over the 12 calendar quarters preceding the previous calendar year. Calculations are performed for individual endowment funds at a rate of 5.00%. The corresponding calculated spending allocations are distributed monthly from the current net total or accumulated net total investment returns for individual endowment funds. Working capital reserves are classified as endowment and are included as an endowment distribution. The reserve distributions were \$6,002 and \$26,226 during the years ended, June 30, 2021 and 2020, respectively.

(d) Return Objectives and Risk Parameters

Middlebury has adopted endowment investment and spending policies that provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the overall investment portfolio's target allocation applied to the appropriate individual benchmarks. Middlebury expects its endowment funds, over time, to generate an average rate of return sufficient to provide for its spending needs plus the rate of growth in expenses, which reflects inflation pressures as well as real growth in Middlebury programs.

(e) Strategies Employed for Achieving Investment Objectives

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

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(8) Land, Buildings, and Equipment

Land, buildings, and equipment at June 30, 2021 and 2020 consist of the following:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 58,926	56,696
Buildings	626,304	610,062
Equipment	129,762	124,136
Art and antiques	21,801	21,432
Construction in progress	<u>8,527</u>	<u>14,612</u>
	845,320	826,938
Less accumulated depreciation	<u>(482,571)</u>	<u>(462,400)</u>
	<u>\$ 362,749</u>	<u>364,538</u>

Depreciation and amortization expense in 2021 and 2020 was \$21,239 and \$19,593, respectively.

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(9) Long-Term Debt

Long-term debt is comprised of the following at June 30, 2021 and 2020:

	2021	2020
VEHBFA Series 2010 term bonds \$95,035 original principal, (uncollateralized) due on November 1, 2040 issued at a premium, interest at 5.00%	\$ —	95,035
VEHBFA Series 2012A serial bonds \$46,150 original principal (uncollateralized) with annual principal payments increasing from \$2,485 in 2018 to \$5,130 in 2033, interest ranging from 2.50% to 5.0%	39,960	39,960
VEHBFA Series 2012B serial bonds \$11,885 original principal (uncollateralized) with annual principal payments ranging from \$1,560 in 2020 to \$1,435 in 2024, interest at 5.00%	7,510	10,325
VEHBFA Series 2016 term bonds \$33,055 original principal (uncollateralized) due on November 1, 2046, issued at a premium, interest at 4.00%	33,055	33,055
2016 direct placement term loan \$21,840 original principal, (uncollateralized) with annual principal payments ranging from \$1,180 in 2018 to \$2,045 in 2031, with interest at 2.34%	16,845	18,170
VEHBFA Series 2019 term bonds \$49,840 original principal, (uncollateralized) due on November 1, 2038, issued at a premium, interest at 5.00%	49,840	49,840
VEHBFA Series 2020 revenue bonds \$88,295 original principal, (uncollateralized) due on November 1, 2050, issued at a premium, interest ranging from 4.00% to 5.00%	88,295	—
2021 direct placement term loan \$30,000 original principal, (uncollateralized) due November 1, 2027, with interest of 1.45%	30,000	—
	265,505	246,385
Less unamortized bond issuance costs	(2,090)	(1,977)
Plus unamortized premium	37,111	23,685
	\$ 300,526	268,093

In August 2020, the College issued \$88,295 of Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds (Middlebury College Project), Series 2020 (the Series 2020 Bonds) in a tax-exempt financing. The proceeds for this issuance were used to refund the VEHBFA Revenue Refunding Bonds (Middlebury College Project) Series 2010 and to pay certain costs of issuance of Bonds. The Series 2020 Bonds bear interest at the range ranging of 4.00% to 5.00% per annum and have a final maturity of November 1, 2050.

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(a) Debt Maturities

Annual principal requirements under all long-term debt obligations as of June 30, 2021 are as follows:

2022	\$	4,340
2023		6,480
2024		12,230
2025		14,985
2026		15,520
Thereafter		211,950
	\$	265,505

(b) Credit Lines

As of June 30, 2021, Middlebury had a \$50,000 line of credit with an interest rate of either the one-month LIBOR plus 2% or the Federal Funds rate + 2.5%, at Middlebury's option. All borrowings have a floor rate of 2.5%. The maturity date for the line of credit is March 31, 2022.

For the years ended June 30, 2021 and 2020, there were no outstanding balances on these lines. The proceeds of the borrowings are to be used for short-term working capital needs, pre-funding capital projects prior to a bond issuance, or providing temporary liquidity for investment transactions.

(10) Retirement Plans

Retirement benefits for benefits eligible employees of Middlebury, are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under this plan, Middlebury makes contributions into the employee accounts based upon investment allocations exercised by the employee or defaulted into the Lifecycle mutual funds. Retirement contributions for the years ended June 30, 2021 and 2020 were \$13,051 and \$13,659, respectively.

(11) Composition of Net Assets

Net assets without donor restriction are comprised of the following:

	2021	2020
Board-designated endowment funds	\$ 234,748	177,126
Net investment in plant	92,223	96,445
Other	(106,119)	(97,806)
	\$ 220,852	175,765

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Composition of net assets with donor restrictions are comprised of the following:

	2021		
	Total	Restricted in perpetuity	Accumulated gains on restricted endowments
Endowment funds:			
Restricted for program support	\$ 95,712	14,181	81,531
Restricted for general operating	87,592	15,435	72,157
Restricted for scholarship and prizes	310,702	72,131	238,571
Restricted for instruction	38,321	16,408	21,913
Restricted for library	350,513	155,726	194,787
Restricted for other student benefit	393,413	155,693	237,720
	1,276,253	429,574	846,679
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	51,267		
Restricted contributions receivable, net	9,822		
Restricted annuity and life income gifts	29,346		
	\$ 1,366,688		

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	2020		
	Total	Restricted in perpetuity	Accumulated gains on restricted endowments
Endowment funds:			
Restricted for program support	\$ 302,540	169,062	133,478
Restricted for general operating	66,013	14,421	51,592
Restricted for scholarship and prizes	286,174	146,289	139,885
Restricted for instruction	227,910	71,994	155,916
Restricted for library	62,544	9,265	53,279
Restricted for other student benefit	6,601	638	5,963
	951,782	411,669	540,113
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	48,518		
Restricted contributions receivable, net	16,645		
Restricted annuity and life income gifts	21,751		
	\$ 1,038,696		

(12) Commitments and Contingencies

Middlebury has claims arising in the normal course of its operations. Middlebury believes that the outcome of these claims will not have a material adverse effect on the financial position, activities, or cash flows of Middlebury.

Middlebury has made a commitment to assist the Town of Middlebury (the Town) to finance the bridge construction project and has agreed to pay the Town the sum of \$300 twice per year starting in fiscal year 2011 and continuing until thirty years thereafter. Middlebury has recorded a commitment payable of \$7,305 and \$7,746 as of June 30, 2021 and 2020, respectively. The original commitment was for \$18,000 and was discounted at a rate of 5.00%.

Middlebury has made a commitment to assist the Town in financing the construction of a municipal office building and a gymnasium/recreation facility. This pertains to an agreement between Middlebury and the Town regarding the transfer of certain parcels of land and buildings. Middlebury will pay the Town approximately \$350 over two installments per year until 2034. The full commitment was for \$6,159 and was discounted at 3.25%. Middlebury has recorded a payable of \$3,232 and \$3,399 as of June 30, 2021 and 2020, respectively.

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(13) Operating Expenses

The consolidated statements of activities present expenses by natural classification. Middlebury also summarizes expenses by functional classification. The primary program service is academic instruction and research. Expenses reported as student services and auxiliary enterprises are incurred in support of the primary program activity.

Natural class expenses are allocated to functional areas based predominantly on department-level expenses. Depreciation expense and interest expense are allocated to departments based on the purpose of associated buildings.

Operating expenses for the year ended June 30, 2021 are as follows:

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional and auxiliary</u>	<u>Sponsored activities</u>	<u>Total</u>
Salaries and wages	\$ 53,262	12,715	17,573	33,668	4,567	121,785
Employee benefits	20,375	4,864	6,723	12,910	1,611	46,483
Building and maintenance	2,002	943	1,891	9,866	216	14,918
Fees for services	1,246	1,353	4,783	6,611	1,561	15,554
Equipment and supplies	999	1,411	2,625	3,243	67	8,345
Travel and entertainment	110	268	563	(117)	125	949
Other expenses	4,340	2,007	2,441	9,647	2,232	20,667
Interest expense	2,322	1,364	1,014	4,514	—	9,214
Depreciation expense	5,505	2,753	3,063	9,918	—	21,239
June 30, 2021	<u>\$ 90,161</u>	<u>27,678</u>	<u>40,676</u>	<u>90,260</u>	<u>10,379</u>	<u>259,154</u>

Operating expenses for the year ended June 30, 2020 are as follows:

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional and auxiliary</u>	<u>Sponsored activities</u>	<u>Total</u>
Salaries and wages	\$ 59,292	15,031	18,347	35,061	4,958	132,689
Employee benefits	19,600	4,968	6,065	11,590	2,788	45,011
Building and maintenance	3,024	1,073	1,519	9,855	235	15,706
Fees for services	4,472	1,827	2,055	7,748	1,472	17,574
Equipment and supplies	1,114	2,016	1,174	3,165	125	7,594
Travel and entertainment	1,542	1,447	2,347	1,542	578	7,456
Other expenses	4,307	2,858	5,059	7,309	1,876	21,409
Interest expense	2,614	1,826	1,411	4,520	—	10,371
Depreciation expense	3,626	2,047	3,747	10,173	—	19,593
June 30, 2020	<u>\$ 99,591</u>	<u>33,093</u>	<u>41,724</u>	<u>90,963</u>	<u>12,032</u>	<u>277,403</u>

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(14) Risk and Uncertainties amid Coronavirus Pandemic (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of Middlebury to conduct its operations and/or the cost of operations, (ii) governmental and non-governmental funding, and (iii) financial markets impacting investments valuation and interest rates.

Commencing in March 2020, undergraduate and graduate course instruction was conducted virtually, and most students vacated the campus. The College granted refunds of \$8 million in fiscal year 2020 for room and board to undergraduate students. Some smaller amounts were provided to certain graduate students and study abroad students, as emergency aid and/or for instruction that did not occur. Middlebury continued to deliver educational services to the overwhelming majority of students and most students satisfied their academic requirements for the remainder of the 2019–20 academic year. In 2021 Middlebury experienced a decline in student revenues due to lower undergraduate enrollment, the cancellation of study abroad programs and the remote instruction of summer programs due to COVID-19.

While the financial impact on Middlebury's future operations cannot be quantified at this time, the pandemic may have a material adverse effect on the current and future financial profile and operating performance of the College. The College continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the College community and promote the continuity of its academic mission.