SUMMARY STATEMENT – REVIEW OF (FORMER) BENNINGTON SCHOOL / "VPI SOUTH" COST CENTER

The Vermont nonprofit corporation, Vermont Permanency Initiative, Inc. (VPI), which owns and operates the Vermont School for Girls and the New England School for Girls (among other entities specified in the organizational charts previously submitted) has "cost centers" that are analyzed separately to more accurately assess the pieces of the whole from a financial point of view. This is particularly important because these schools' finances are a function of rate-setting by public agencies, not by establishing private tuition levels. This factor, combined with the fact that the Bennington School, a financially distressed organization, was taken over quite recently by VPI and required substantial short-term investment, means that the overall financial picture inevitably has many "moving parts."

Through the end of FY17, the cost center that we refer to as "VPI South" reflected the combined budgets of what are now the Vermont School for Girls and the New England School for Girls, because this was the inherited structure of the former Bennington School and predated the financial separation of the Vermont School for Girls and the New England School for Girls. With the exception of FY 17, which was a unique year in which an intentional decision was made to reduce bed capacity to renovate a dormitory, the VPI South cost center has operated at or close to a break-even basis, with surpluses in FY 13, FY 14, FY 16 and anticipated in FY 18. The current year-to-date deficit of $41,000 includes two significantly frontloaded expenses (property taxes and insurance) and the two months of the year (July and August) where our census is typically a little lower. We anticipate that every month in the final third of the fiscal year will generate a positive margin and that the VPI South cost center will generate a surplus in FY 18.

As indicated above, our funding is unique and differs from public and traditional private schools. This cost center, in particular, has been challenged by a rate system that came into effect in FY 14. As data suggests from our previous submissions, management has creatively and successfully addressed this on a company-wide basis by developing alternative revenue streams that have ensured overall profitability within the corporation, Vermont Permanency Initiative, Inc. Together with other providers, we have an ongoing dialogue with the State of Vermont regarding this system and would anticipate future changes that result in a more favorable reimbursement methodology. However, we cannot rely solely on these anticipated changes, so we implemented a strategy to divide the Bennington School into two separately licensed programs, the Vermont School for Girls and New England School for Girls.

Although licensed separately to enable independent rate negotiations with our out-of-state referring agencies and to reflect differing needs between our Vermont versus out of state referrals, VSG and NESFG are still operated as a single cost center. Please understand that we are less than twelve months into the transition to this model, and that we believe that there are opportunities to make our operations more efficient and implement further cost-saving strategies. As we look toward FY 19, these strategies are being considered as we develop budgets, and it is anticipated that FY 19 will be more favorable than FY 18 in terms of the financial performance of VPI.