

THOMAS AQUINAS COLLEGE

Financial Statements

For the Years Ended June 30, 2025 and 2024

with

Independent Auditors' Report

ALMICH & ASSOCIATES

Certified Public Accounting and Business Services

INDEPENDENT AUDITORS' REPORT

To the Board of Governors of
Thomas Aquinas College:

Opinion

We have audited the accompanying financial statements of Thomas Aquinas College (the College, a California not-for-profit religious corporation), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

A handwritten signature in black ink that reads "Alvin H. Associates". The signature is stylized with a large, flowing "A" and "H".

Lake Forest, California
December 4, 2025

THOMAS AQUINAS COLLEGE
Statements of Financial Position
June 30, 2025 and 2024

Assets

| | <u>2025</u> | <u>2024</u> |
|--|------------------------------|------------------------------|
| Current assets: | | |
| Cash and cash equivalents | \$ 2,994,874 | \$ 3,034,402 |
| Marketable and other securities | 3,538 | 168,080 |
| Accounts receivable, net of allowance for credit losses of \$25,840 for both 2025 and 2024 | 687,183 | 427,630 |
| Current portion of gifts and grants receivable | 2,163,460 | 3,071,925 |
| Prepaid expenses and other | 1,086,562 | 683,932 |
| Total current assets | <u>6,935,617</u> | <u>7,385,969</u> |
| Long-term assets: | | |
| Cash and cash equivalents restricted for purchases of property, plant and equipment | 5,103 | 5,089 |
| Cash restricted for endowment | 6,370,468 | 1,119,136 |
| Student loans receivable, net of allowance for credit losses of \$107,535 for both 2025 and 2024 | 478,488 | 490,587 |
| Gifts and grants receivable, net of current portion, present value discount, and allowance for credit losses | 4,714,846 | 5,268,206 |
| Property, plant and equipment, net of accumulated depreciation and amortization of \$55,903,462 for 2025 and \$51,725,911 for 2024 | 91,219,340 | 94,499,223 |
| Interests in producing oil and gas properties | 2,132,000 | 2,132,000 |
| Assets held in trusts and gift annuities | 2,691,353 | 2,650,628 |
| Marketable and other securities | 28,534,288 | 29,715,250 |
| Total long-term assets | <u>136,145,886</u> | <u>135,880,119</u> |
| Total assets | <u><u>\$ 143,081,503</u></u> | <u><u>\$ 143,266,088</u></u> |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statements of Financial Position
June 30, 2025 and 2024

Liabilities and Net Assets

| | <u>2025</u> | <u>2024</u> |
|---|------------------------------|------------------------------|
| Current liabilities: | | |
| Accounts payable | \$ 1,268,197 | \$ 1,478,339 |
| Accrued expenses | 787,479 | 457,161 |
| Prepaid tuition and room deposits | 996,872 | 1,073,063 |
| Current portion of long-term debt | 928,695 | 100,000 |
| Current portion of obligations under trusts and gift annuities | 136,768 | 138,518 |
| Total current liabilities | <u>4,118,011</u> | <u>3,247,081</u> |
| Long-term liabilities: | | |
| Long-term debt, net of current portion | 14,922,917 | 14,700,000 |
| Obligations under trusts and gift annuities, net of current portion | 1,244,132 | 1,268,340 |
| Total long-term liabilities | <u>16,167,049</u> | <u>15,968,340</u> |
| Total liabilities | <u>20,285,060</u> | <u>19,215,421</u> |
| Net assets: | | |
| Without donor restrictions | 82,543,047 | 88,428,895 |
| With donor restrictions | 40,253,396 | 35,621,772 |
| Total net assets | <u>122,796,443</u> | <u>124,050,667</u> |
| Total liabilities and net assets | <u><u>\$ 143,081,503</u></u> | <u><u>\$ 143,266,088</u></u> |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statement of Activities
For the Year Ended June 30, 2025

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|-------------------------------|----------------------------|-----------------------|
| Revenues, gains and other support: | | | |
| Tuition | \$ 16,830,069 | \$ - | \$ 16,830,069 |
| Auxiliary enterprises | 6,354,100 | - | 6,354,100 |
| Gifts and grants | 9,699,068 | 3,685,795 | 13,384,863 |
| Oil/gas royalty and working interest | 464,384 | - | 464,384 |
| Gain on investments: | | | |
| Dividends and interest | 4,229 | 1,276,786 | 1,281,015 |
| Realized gain (loss) on marketable and other securities, net | (5,686) | 9,558 | 3,872 |
| Unrealized gain (loss) on marketable and other securities, net | (245) | 2,475,229 | 2,474,984 |
| Other gains and support | 678,454 | - | 678,454 |
| Total revenues, gains and other support | 34,024,373 | 7,447,368 | 41,471,741 |
| Net assets released from restrictions | 2,815,744 | (2,815,744) | - |
| | <u>36,840,117</u> | <u>4,631,624</u> | <u>41,471,741</u> |
| Expenses: | | | |
| Instruction | 10,856,478 | - | 10,856,478 |
| Administration | 2,213,229 | - | 2,213,229 |
| Student recruitment | 1,517,081 | - | 1,517,081 |
| Development | 3,170,577 | - | 3,170,577 |
| Operations and maintenance | 5,215,896 | - | 5,215,896 |
| Student financial aid | 8,458,032 | - | 8,458,032 |
| Interest and fees on debt | 614,802 | - | 614,802 |
| Auxiliary enterprises | 6,336,871 | - | 6,336,871 |
| Depreciation and amortization | 4,177,551 | - | 4,177,551 |
| Other | 165,448 | - | 165,448 |
| Total expenses | <u>42,725,965</u> | <u>-</u> | <u>42,725,965</u> |
| Change in net assets | (5,885,848) | 4,631,624 | (1,254,224) |
| Net assets, beginning of year | <u>88,428,895</u> | <u>35,621,772</u> | <u>124,050,667</u> |
| Net assets, end of year | <u>\$ 82,543,047</u> | <u>\$ 40,253,396</u> | <u>\$ 122,796,443</u> |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statement of Activities
For the Year Ended June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|----------------|
| Revenues, gains and other support: | | | |
| Tuition | \$ 15,223,589 | \$ - | \$ 15,223,589 |
| Auxiliary enterprises | 5,782,685 | - | 5,782,685 |
| Gifts and grants | 9,687,530 | 5,196,705 | 14,884,235 |
| Oil/gas royalty and working interest | 361,094 | - | 361,094 |
| Gain on investments: | | | |
| Dividends and interest | 9,555 | 615,311 | 624,866 |
| Realized gain on marketable and other securities, net | 12,605 | 63,134 | 75,739 |
| Unrealized gain on marketable and other securities, net | 22 | 2,624,011 | 2,624,033 |
| Other gains and support | 366,212 | - | 366,212 |
| Total revenues, gains and other support | 31,443,292 | 8,499,161 | 39,942,453 |
| Net assets released from restrictions | 7,769,386 | (7,769,386) | - |
| | 39,212,678 | 729,775 | 39,942,453 |
| Expenses: | | | |
| Instruction | 10,325,276 | - | 10,325,276 |
| Administration | 2,292,602 | - | 2,292,602 |
| Student recruitment | 1,520,948 | - | 1,520,948 |
| Development | 2,956,176 | - | 2,956,176 |
| Operations and maintenance | 5,010,716 | - | 5,010,716 |
| Student financial aid | 7,879,865 | - | 7,879,865 |
| Interest and fees on debt | 561,394 | - | 561,394 |
| Auxiliary enterprises | 6,494,432 | - | 6,494,432 |
| Depreciation and amortization | 3,997,276 | - | 3,997,276 |
| Other | 221,255 | - | 221,255 |
| Total expenses | 41,259,940 | - | 41,259,940 |
| Change in net assets | (2,047,262) | 729,775 | (1,317,487) |
| Net assets, beginning of year | 90,476,157 | 34,891,997 | 125,368,154 |
| Net assets, end of year | \$ 88,428,895 | \$ 35,621,772 | \$ 124,050,667 |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statements of Cash Flows
For the Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|---|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (1,254,224) | \$ (1,317,487) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,177,551 | 3,997,276 |
| Unrealized gain on marketable and other securities, net | (2,474,984) | (2,624,033) |
| Changes in assets and liabilities: | | |
| Accounts receivable, net | (259,553) | (31,565) |
| Student loans receivable, net | 12,099 | (87,798) |
| Gifts and grants receivable, net | 1,461,825 | 593,711 |
| Prepaid expenses and other | (402,630) | 368,915 |
| Assets held in trusts and gift annuities | (40,725) | (223,187) |
| Accounts payable | (210,142) | (143,896) |
| Accrued expenses | 330,318 | (45,164) |
| Prepaid tuition and room deposits | (76,191) | (72,425) |
| Obligations under trusts and gift annuities | (25,958) | 233,777 |
| Net cash provided by operating activities | <u>1,237,386</u> | <u>648,124</u> |
| Cash flows from investing activities: | | |
| Net sales of marketable and other securities | 3,820,488 | 5,127,914 |
| Rebate related to energy saving equipment | 1,908,857 | - |
| Purchases of property, plant and equipment | (1,465,900) | (2,817,429) |
| Net cash provided by investing activities | <u>4,263,445</u> | <u>2,310,485</u> |
| Cash flows from financing activities: | | |
| Principal repayments on long-term debt | (289,013) | (100,000) |
| Principal repayment on loan payable to a related party | - | (200,000) |
| Net cash used by financing activities | <u>(289,013)</u> | <u>(300,000)</u> |
| Net increase in cash and cash equivalents and restricted cash | 5,211,818 | 2,658,609 |
| Cash and cash equivalents, and restricted cash at beginning of year | <u>4,158,627</u> | <u>1,500,018</u> |
| Cash and cash equivalents, and restricted cash at end of year | <u><u>\$ 9,370,445</u></u> | <u><u>\$ 4,158,627</u></u> |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Statements of Cash Flows (continued)
For the Years Ended June 30, 2025 and 2024

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 584,133</u> | <u>\$ 561,686</u> |
| Cash paid for income taxes | <u>\$ -</u> | <u>\$ -</u> |
| Equipment acquired under terms of a financing agreement | <u>\$ 1,340,625</u> | <u>\$ -</u> |
| Reconciliation of cash and cash equivalents and restricted cash: | | |
| Cash and cash equivalents | \$ 2,994,874 | \$ 3,034,402 |
| Cash and cash equivalents restricted for purchases of property, plant and equipment | 5,103 | 5,089 |
| Cash restricted for endowment | <u>6,370,468</u> | <u>1,119,136</u> |
| Total cash and cash equivalents and restricted cash | <u>\$ 9,370,445</u> | <u>\$ 4,158,627</u> |

See notes to financial statements

THOMAS AQUINAS COLLEGE
Notes to Financial Statements
June 30, 2025 and 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Thomas Aquinas College (the College) is a Catholic nonprofit educational institution with two campuses located in Santa Paula, California and Northfield, Massachusetts. The College is a California religious nonprofit corporation. The College offers an integrated liberal arts program based on a study of the Great Books. The College is primarily funded by tuition, room and board charges, and gifts.

Basis of Accounting

The financial statements of the College have been prepared on the accrual basis of accounting.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the College and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that need to be maintained permanently by the College or whose restrictions will be met either by the actions of the College or the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed stipulations. 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 their use is restricted by explicit donor stipulation or by law. Expirations 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 reclassifications between the applicable classes of net assets.

As of June 30, 2025 and 2024, net assets with donor restrictions that are available for certain operations and facility improvements of the College amounted to \$5,106,112 and \$2,547,519, respectively, and net assets restricted in perpetuity amounted to \$35,147,284 and \$33,074,253, respectively. The income from net assets restricted in perpetuity is classified as restricted and is expendable to primarily support student financial aid, library operations, and the St. Vincent de Paul Lecture Series.

Net assets released from restrictions were as follows for the years ended June 30:

| | <u>2025</u> | <u>2024</u> |
|-------------------------------------|---------------------|---------------------|
| Appropriated for endowment spending | \$ 1,625,350 | \$ 7,559,386 |
| Facilities | <u>1,190,394</u> | <u>210,000</u> |
| | <u>\$ 2,815,744</u> | <u>\$ 7,769,386</u> |

Cash and Cash Equivalents

The College considers cash equivalents to be only those investments with original maturities of three months or less at the time of purchase and readily convertible to cash. Cash equivalents consist entirely of money market funds as of June 30, 2025 and 2024.

Accounts and Student Loans Receivable

Accounts and student loans receivable are recorded at the net realizable value expected to be received from students or third-party payors and are not collateralized.

The allowance for credit losses associated with the College's accounts and student loans receivable is management's best estimate based upon historical experience and judgement. Management's estimation methodology considers a number of quantitative and qualitative factors in establishing the allowance for credit losses. These factors include, but are not limited to: internal repayment history, changes in the current economic, legislative or regulatory environments, as well as internal cash collections forecasts. These factors are monitored and assessed on a regular basis. As of June 30 of each year, classes are not in session and, therefore, all of the College's receivables are fully-earned. Management monitors collection and write-off experience to assess whether or not adjustments to the allowance percentage estimates are necessary. Changes in trends in any of these factors noted above, or modifications to the College's collection practices, and other related policies may impact the estimate of the allowance for credit losses.

During the year ended June 30, 2025, there were no changes to the College's allowance for credit losses associated with the College's accounts and student loans receivable.

Revenue Recognition

The College recognizes revenue in accordance with *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers. The College's program is designed to be completed in 4 years. Student tuition and room and board charges are billed on a semester-by-semester basis and earned evenly over the semester. Prepaid tuition and room deposits represent cash collected in excess of tuition and room and board charges billed as of the statement of financial position date; these amounts are applied to future tuition and room and board charges should the student remain active; if not, the monies are refunded. The balance of accounts and student loans receivable at the beginning of the year ended June 30, 2024 was \$798,854. The balance of prepaid tuition and room deposits at the beginning of the year ended June 30, 2024 was \$1,145,488.

Gifts and grants are recognized as revenue when they are received or unconditionally pledged to the College. Unconditional pledges to give to the College are reflected as gifts and grants receivable. The College reports gifts of cash and other assets as support with donor restrictions if the donor places limitations on the use of the donated asset. Gifts of assets other than cash are recorded at estimated fair value at the date of the gift.

Assets Held in Trusts and Gift Annuities and Obligations Under Trusts and Gift Annuities

Assets held in trusts include assets in irrevocable trusts. The College has been named trustee for these trusts by the donors. The trust assets are being invested in various investment securities and are reflected at estimated fair market value on the accompanying statements of financial position.

Certain trust agreements require that income of the trusts be added to and become principal, and that the trustee shall from time to time apply, for the benefit of the beneficiaries, such amounts as needed for tuition and room and board at the College. These trusts will terminate upon the beneficiaries graduation from the College, or upon the beneficiaries reaching a certain age, as stipulated in the trust agreements. The College has been named the remainder beneficiary of these trusts. The fair market value of the trust assets at June 30, 2025 and 2024 was \$344,562 and \$312,886, respectively.

In addition, the College has a gift annuity plan under which the donors are the life beneficiaries and will receive payments calculated in accordance with the plan. An amount equal to the estimated present value of the liability for the annuity payable has been recorded as an obligation under trusts and gift annuities on the accompanying statements of financial position. The discount rate and actuarial assumption (life expectancy) used in calculating the estimated present value is based on the 2000CM Mortality Table and IRS discount rate of each annuity. The fair market value of the gift annuity assets at June 30, 2025 and 2024 was \$2,346,791 and \$2,337,742, respectively.

Marketable and Other Securities

The College invests in various investment securities. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the College's account balances and the amounts reported in the statements of financial position.

Endowment

The College's endowment funds are all donor restricted and primarily support student financial aid, library operations, and the St. Vincent de Paul Lecture Series. The College's endowment funds are managed by an independent investment firm selected and overseen by the Investment Committee of the Board of Governors. The endowment's securities are held by an independent custodian. The investment objectives are to maintain a well-diversified account with quality securities and cash equivalents, with an emphasis on preservation of capital coupled with long term growth of principal with income sufficient to meet the College's spending policies.

The College's policy is to retain within the endowment any dividend or interest income earned by endowment funds. On September 30 of each year, an amount equal to a percentage of the average market value of the endowment fund on June 30 of the preceding three fiscal years will be transferred from the endowment fund to the unrestricted fund. The percentage for both of the fiscal years ended June 30, 2025 and 2024 was 5.0%. In so doing, the College has implemented the principles of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The College has two endowment funds with different donor specified spending policies. Amounts appropriated for spending are included within net assets released from restrictions on the accompanying statements of activities.

When an individual endowment fund explicitly prohibits "under water" distributions, such distributions will not be made. The College considers a fund to be "under water" if the fair value of a fund is less than the original value of initial and subsequent gift amounts donated to the fund. The College had no "under water" funds at June 30, 2025 and 2024.

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

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Endowment net assets, beginning of year | \$ 31,274,596 | \$ 31,719,411 |
| Contributions | 2,073,031 | 3,814,695 |
| Dividends and interest | 1,276,772 | 615,303 |
| Realized gain on marketable and other securities | 9,558 | 63,134 |
| Unrealized gain on marketable and other securities, net | 2,313,206 | 2,621,439 |
| Amounts appropriated for spending | (1,625,350) | (7,559,386) |
| Endowment net assets, end of year | <u>\$ 35,321,813</u> | <u>\$ 31,274,596</u> |

During the year ended June 30, 2024 the Board approved net borrowings totaling \$5,958,751, from the endowment funds for capital projects and general operations. The College intends to repay the endowment funds along with interest on the borrowings.

Interests in Producing Oil & Gas Properties

The College has a portfolio of donated oil and gas interests which was recorded at its estimated fair market value at the date of gift. These interests have been valued by an independent petroleum engineer. These assets are maintained at the lesser of cost or fair market value, as determined on an annual basis by an independent petroleum engineer. As of June 30, 2025 and 2024, the appraisal from an independent petroleum engineer estimated the fair market value of the asset to be approximately \$3,070,000 and \$4,790,000, respectively.

Income Taxes

The College is a not-for-profit entity that is exempt from federal income tax pursuant to Internal Revenue Code Section (IRC) 501(c)(3) and the corresponding section of the California Revenue and Taxation Code.

The College has unrelated business income from time to time related to certain of its interests in producing oil and gas properties. There was no provision for unrelated business income tax for the years ended June 30, 2025 and 2024.

Auxiliary Enterprises

Auxiliary enterprises consist of bookstore, dormitory and food service operations.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Accordingly, actual results could differ from those estimates.

NOTE 2 – GIFTS AND GRANTS RECEIVABLE

Gifts and grants receivable consist of unconditional promises to give cash to the College. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate of 3.0 percent and are being accreted and recognized over the discount period.

Gifts and grants receivable are expected to be collected in the following periods:

Gifts and Grants Receivable as of June 30, 2025

| | General Operations | Facilities and Equipment | Restricted for Endowment | Total |
|-----------------------------|-----------------------|-----------------------------|-----------------------------|---------------------|
| Less than one year | \$ 1,668,100 | \$ 345,260 | \$ 150,100 | \$ 2,163,460 |
| One to five years | 4,128,731 | 739,786 | 290,045 | 5,158,562 |
| | 5,796,831 | 1,085,046 | 440,145 | 7,322,022 |
| Present value discount | (270,806) | (12,215) | (11,963) | (294,984) |
| Allowance for credit losses | (133,743) | (3,864) | (11,125) | (148,732) |
| Gifts and grants receivable | <u>\$ 5,392,282</u> | <u>\$ 1,068,967</u> | <u>\$ 417,057</u> | <u>\$ 6,878,306</u> |

Gifts and Grants Receivable as of June 30, 2024

| | General Operations | Facilities and Equipment | Restricted for Endowment | Total |
|-----------------------------|-----------------------|-----------------------------|-----------------------------|---------------------|
| Less than one year | \$ 2,762,115 | \$ 99,786 | \$ 210,024 | \$ 3,071,925 |
| One to five years | 5,288,190 | 32,500 | 242,500 | 5,563,190 |
| | 3,265,427 | 132,286 | 452,524 | 8,635,115 |
| Present value discount | (281,239) | (1,431) | (12,314) | (294,984) |
| Gifts and grants receivable | <u>\$ 2,984,188</u> | <u>\$ 130,855</u> | <u>\$ 440,210</u> | <u>\$ 8,340,131</u> |

As of June 30, 2025, approximately 76% of total gifts and grants receivable were due from five donors.

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are either stated at purchase cost or the estimated fair market value at date of gift and consisted of the following at June 30:

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Land | \$ 10,039,815 | \$ 10,039,815 |
| Buildings and improvements | 126,156,318 | 124,710,351 |
| Equipment and artwork | 9,769,066 | 9,514,198 |
| Library books | 829,033 | 783,481 |
| | 146,794,232 | 145,047,845 |
| Less: accumulated depreciation and amortization | <u>(55,903,462)</u> | <u>(51,725,911)</u> |
| | 90,890,770 | 93,321,934 |
| Construction in progress | 328,570 | 1,177,289 |
| | <u>\$ 91,219,340</u> | <u>\$ 94,499,223</u> |

Depreciation and amortization expense was \$4,177,551 and \$3,997,276 for the years ended June 30, 2025 and 2024, respectively.

It is the College's policy to capitalize all additions with a purchase cost or estimated fair market value at date of gift of \$2,000 or more. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|----------------------------|--------------|
| Buildings and improvements | 30 years |
| Equipment | 5 - 10 years |
| Library books | 10 years |

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, management would prepare an analysis comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The net book value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. To date, management has not identified any such factors pertaining to the College's long-lived assets.

NOTE 4 – FAIR VALUE MEASUREMENTS

The College uses a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted market prices in active markets for identical assets; Level 2, defined as inputs other than quoted prices in active markets that are either observable directly or indirectly through market corroboration, for substantially the full term of the financial instrument; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Following is a description of the valuation methodologies used for investments measured at fair value at June 30, 2025 and 2024:

Equity securities: Securities traded on national securities exchange of U.S and other countries are stated at the last reported sales price on the day of valuation.

U.S. government obligations: These securities are normally valued using a model that incorporates market observable data such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are valued principally using dealer quotations. These are categorized in level 1 and level 2 of the fair value hierarchy depending on the inputs used and market activity levels for specific securities.

Commercial mortgage and assets backed securities: The fair value of these securities are estimated based on models that consider the estimated cash flows of each tranche of the entity, establish a benchmark yield, and develop an estimated tranche specific spread to the benchmark yield based on the unique attributes of the tranche.

Corporate obligations: The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments.

Short term investments: Short-term investments generally consist of investments in money market mutual funds. The fair values of money market mutual fund investments are carried at NAV of \$1 per share.

Equity securities - private companies: Valued at book value per share.

Municipals: Municipals are fixed income bonds that are normally valued based on quotes and active trades of similar securities as well as reviews of current economic conditions, market psychology, trading levels, spread relationships and the slope of the yield curve.

Exchange-traded funds: The fair value is at intraday indicative value using most recent value of the fund based on market prices of the underlying securities.

The following tables set forth by level, within the fair value hierarchy, the College's marketable and other securities and assets held in trusts and gift annuities at fair value as of June 30, 2025 and 2024. Classification within the fair value hierarchy table is based on the lowest level of any input that is significant to the fair value measurement.

| | 2025 | Total | Fair Value Measurements at Reporting Date Using | | | | | |
|---|------|------------|---|------------------|------------------|------------|----|--------|
| | | | Quoted Prices in | Significant | | | | |
| | | | Active Markets | Other | Significant | | | |
| | | | for Identical | Observable | Unobservable | | | |
| | | | Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) | | | |
| <i>Marketable securities and other:</i> | | | | | | | | |
| Equity securities | \$ | 20,077,745 | \$ | 13,395,562 | \$ | 6,682,184 | \$ | - |
| U.S. government obligations | | 2,624,623 | | - | | 2,624,623 | | - |
| Corporate obligations | | 2,392,757 | | - | | 2,392,757 | | - |
| Commercial mortgage securities | | 2,372,185 | | - | | 2,372,185 | | - |
| Asset backed securities | | 686,870 | | - | | 686,870 | | - |
| Municipals | | 245,598 | | - | | 245,598 | | - |
| Short-term investments | | 74,598 | | 74,598 | | - | | - |
| Equity securities - private companies | | 63,449 | | - | | - | | 63,449 |
| | | 28,537,826 | \$ | 13,470,159 | \$ | 15,004,218 | \$ | 63,449 |
| Less: current portion | | (3,538) | | | | | | |
| | \$ | 28,534,288 | | | | | | |

| | 2024 | Total | Fair Value Measurements at Reporting Date Using | | | | | |
|---|------|------------|---|------------------|------------------|------------|----|---------|
| | | | Quoted Prices in | Significant | | | | |
| | | | Active Markets | Other | Significant | | | |
| | | | for Identical | Observable | Unobservable | | | |
| | | | Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) | | | |
| <i>Marketable securities and other:</i> | | | | | | | | |
| Equity securities | \$ | 18,796,097 | \$ | 12,935,598 | \$ | 5,860,499 | \$ | - |
| U.S. government obligations | | 4,719,511 | | - | | 4,719,511 | | - |
| Commercial mortgage securities | | 2,907,562 | | - | | 2,907,562 | | - |
| Corporate obligations | | 2,306,557 | | - | | 2,306,557 | | - |
| Asset backed securities | | 676,736 | | - | | 676,736 | | - |
| Municipals | | 209,800 | | - | | 209,800 | | - |
| Short-term investments | | 157,307 | | 157,307 | | - | | - |
| Equity securities - private companies | | 109,760 | | - | | - | | 109,760 |
| | | 29,883,330 | \$ | 13,092,905 | \$ | 16,680,665 | \$ | 109,760 |
| Less: current portion | | (168,080) | | | | | | |
| | \$ | 29,715,250 | | | | | | |

| | | Fair Value Measurements at Reporting Date Using | | |
|--|--------------|---|--|---|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| 2025 | Total | | | |
| <i>Assets held in trusts and gift annuities:</i> | | | | |
| Equity securities | \$ 1,602,475 | \$ 1,602,475 | \$ - | \$ - |
| Corporate obligations | 747,312 | - | 747,312 | - |
| Cash | 291,394 | 291,394 | - | - |
| Exchange-traded funds | 41,998 | 41,998 | - | - |
| U.S. government obligations | 8,174 | - | 8,174 | - |
| | \$ 2,691,353 | \$ 1,935,867 | \$ 755,486 | \$ - |

| | | Fair Value Measurements at Reporting Date Using | | |
|--|--------------|---|------------------|------------------|
| | | Quoted Prices in | Significant | |
| | | Active Markets | Other | Significant |
| | | for Identical | Observable | Unobservable |
| 2024 | Total | Assets (Level 1) | Inputs (Level 2) | Inputs (Level 3) |
| <i>Assets held in trusts and gift annuities:</i> | | | | |
| Equity securities | \$ 1,411,522 | \$ 1,411,522 | \$ - | \$ - |
| Corporate obligations | 781,574 | - | 781,574 | - |
| Cash | 275,119 | 275,119 | - | - |
| Exchange-traded funds | 174,559 | 174,559 | - | - |
| U.S. government obligations | 7,854 | - | 7,854 | - |
| | \$ 2,650,628 | \$ 1,861,200 | \$ 789,428 | \$ - |

NOTE 5 – RELATED PARTY TRANSACTIONS

Contributions and Pledges Receivable

During the years ended June 30, 2025 and 2024, the College received contributions from members of its board of governors and entities related to them totaling \$758,610 and \$853,257, respectively. As of June 30, 2025 and 2024, pledges receivable from members of the College's board of governors and entities related to them were \$5,025,895 and \$2,570,000, respectively; payments on these pledges during the years ended June 30, 2025 and 2024, amounted to \$1,089,367 and \$2,053,140 respectively.

Housing Revenues

During the years ended June 30, 2025 and 2024, housing revenues from College employees totaled \$155,331 and \$138,608, respectively; these amounts are included within other gains and support on the accompanying statements of activities.

Loan Payable

In April 2023, the College entered into a loan agreement in the amount of \$200,000 with a foundation founded by one of its board members. The borrowings under the loan agreement were unsecured and subordinated to the College's other indebtedness, bearing interest at 5.00% with the principal and any accrued but unpaid interest due in full on the maturity date of December 31, 2023. The entire outstanding balance was fully repaid by the College during the year ended June 30, 2024.

NOTE 6 – LONG-TERM DEBT

Note Payable

The College has a Note Agreement (the Note) with a bank bearing interest at 3.50%, requiring monthly payments of interest only with annual principal payments of \$100,000, with final payment due May 1, 2029. Prepayments of principal may be made at any time without penalty. The Note is secured by a deed of trust on the College's property. As of June 30, 2025 and 2024, the outstanding balance of the Note was \$4,700,000 and \$4,800,000, respectively.

Line of Credit

The College has a \$10,000,000 line of credit agreement with a maturity date of May 1, 2029. Borrowings under the line of credit agreement bear interest at 3.75% and are collateralized by a deed of trust on the College's property. As of June 30, 2025 and 2024, the outstanding balance under the line of credit was \$10,000,000.

Equipment Financing Agreement

During the year ended June 30, 2025, the College purchased equipment under a financing agreement with an unrelated third-party vendor for \$1,340,625. The equipment financing agreement bears interest at 8% and requires quarterly payments of principal and interest of \$165,945, with final payment due November 12, 2026. The equipment financing agreement is collateralized with a lien on the equipment purchased. As of June 30, 2025, the outstanding balance under the equipment financing agreement was \$1,151,612.

Future maturities of long-term debt as of June 30, 2025 were as follows:

| Year Ending June 30, | |
|-------------------------|-----------------------------|
| 2026 | \$ 928,695 |
| 2027 | 422,917 |
| 2028 | 100,000 |
| 2029 | 14,400,000 |
| | <u>15,851,612</u> |
| Less: current portion | <u>(928,695)</u> |
| | <u><u>\$ 14,922,917</u></u> |

The College's note payable and line of credit have certain financial covenants. As of June 30, 2025 and 2024, the College was in compliance with such covenants.

NOTE 7 – RETIREMENT CONTRIBUTION ARRANGEMENTS FOR EMPLOYEES

The College operates a defined contribution plan (the Plan) under section 403(b) of IRC. Substantially all employees of the College are eligible to participate in the Plan. The College may make matching contributions of 5% of participant's eligible compensation, up to IRS limitations, for participants who make an elective deferral of 5% or more. All contributions made to the Plan vest immediately. Total matching contributions to employee selected retirement funds for the years ended June 30, 2025 and 2024 were approximately \$601,000 and \$568,000, respectively.

NOTE 8 – EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The College's primary service is academic instruction. Natural expenses attributable to more than one functional expense category are allocated based on a variety of cost allocation techniques such as time and effort related to the program and supporting services benefited.

Expenses by natural and functional classification consist of the following for the years ended June 30, 2025 and 2024:

| 2025 | Program Expenses | Management and General Expenses | Fundraising Expenses | Total |
|-------------------------------------|----------------------|---------------------------------------|-------------------------|----------------------|
| Salary, wages and fringe benefits | \$ 17,905,483 | \$ 3,095,722 | \$ 602,923 | \$ 21,604,128 |
| Grants and other assistance | 5,115,633 | - | - | 5,115,633 |
| Occupancy | 3,928,728 | 473,655 | 24,063 | 4,426,446 |
| Professional and other services | 3,186,992 | 414,132 | 263,385 | 3,864,509 |
| Office supplies and minor equipment | 370,567 | 212,843 | 153,817 | 737,227 |
| Interest | 572,202 | 42,600 | - | 614,802 |
| Depreciation and amortization | 3,868,279 | 309,272 | - | 4,177,551 |
| Other | 1,637,718 | 248,867 | 299,084 | 2,185,669 |
| | <u>\$ 36,585,602</u> | <u>\$ 4,797,091</u> | <u>\$ 1,343,272</u> | <u>\$ 42,725,965</u> |

| 2024 | Program Expenses | Management and General Expenses | Fundraising Expenses | Total |
|-------------------------------------|----------------------|---------------------------------------|-------------------------|----------------------|
| Salary, wages and fringe benefits | \$ 17,165,908 | \$ 3,134,110 | \$ 513,508 | \$ 20,813,526 |
| Grants and other assistance | 4,801,208 | - | - | 4,801,208 |
| Occupancy | 3,900,273 | 399,330 | 25,244 | 4,324,847 |
| Professional and other services | 3,061,202 | 427,916 | 133,387 | 3,622,505 |
| Office supplies and minor equipment | 461,336 | 202,904 | 112,465 | 776,705 |
| Interest | 524,347 | 37,047 | - | 561,394 |
| Depreciation and amortization | 3,701,766 | 295,510 | - | 3,997,276 |
| Other | 1,680,053 | 410,456 | 271,970 | 2,362,479 |
| | <u>\$ 35,296,093</u> | <u>\$ 4,907,273</u> | <u>\$ 1,056,574</u> | <u>\$ 41,259,940</u> |

NOTE 9 – LIQUIDITY AND AVAILABILITY

The College's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 2,994,874 | \$ 3,034,402 |
| Marketable and other securities | 3,538 | 168,080 |
| Accounts receivable, net | 687,183 | 427,630 |
| Current portion of gifts and grants receivable for general operations | 1,668,100 | 2,762,115 |
| Endowment payout for use over the next twelve months | 1,689,586 | 1,625,350 |
| | <u>\$ 7,043,281</u> | <u>\$ 8,017,577</u> |

The College's practice is to structure its financial assets to be available as its general expenditures, liabilities and obligations come due.

NOTE 10 – REGULATORY MATTERS

The College is subject to extensive regulation by federal and state governmental agencies and accrediting bodies. In particular, the Higher Education Act (the Act) and the regulations promulgated thereunder by the U.S. Department of Education (ED) subject the College to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy in order to participate in the various federal student financial assistance programs under Title IV of the Act. These standards include, among others, financial responsibility and student default rates. Ineligibility to participate in the Title IV programs would have a material adverse effect on the College's enrollments, revenue and results of operations.

Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring. Institutions receiving a composite score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2025 and 2024, and for the years then ended, the College's composite score was between 1.0 and 1.4.

For each federal fiscal year, ED calculates a rate of student defaults for each educational institution known as a “cohort default rate.” Under certain defined circumstances, an institution may lose its eligibility to participate in some or all Title IV programs. As of June 30, 2025 and 2024, management believes that the College was in compliance with ED’s requirements concerning its cohort default rate.

As a result of operating in a highly regulated industry, the College may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies, regulatory bodies, or other third parties. While there can be no assurance that such matters will not occur and if they do occur will not have a material adverse effect on the College’s business, results of operations or financial condition, management believes that the College has complied with all regulatory requirements.

On November 1, 2016, ED published regulations on the topic of borrower defense to repayment which went into effect in October 2018. On September 23, 2019, ED published regulations on this topic which largely became effective July 1, 2020. The regulations allow a borrower to assert a defense to repayment based upon defined criteria and establish certain triggers which would require an institution to provide ED with additional reporting and/or financial guarantees. Management believes that the College is in compliance with the applicable regulations in all material respects.

On November 1, 2022, ED’s final borrower defense to repayment rule was published with an effective date of July 1, 2023. The final rule overhauls regulations for borrower defenses to repayment, pre-dispute arbitration agreements and class action waivers, total and permanent disability, closed school and false certification loan discharges, and interest capitalization.

NOTE 11 – CONCENTRATION OF CREDIT RISK

As of June 30, 2025 and 2024, the College had cash deposits with financial institutions in excess of the federally insured amount, as well as investment securities. Management does not believe the College is exposed to any significant credit risks on its cash or investments.

NOTE 12 – SUBSEQUENT EVENTS

On November 21, 2025, the College received a cash donation of \$38,150,000 from an unrelated donor. This represents the largest single gift in the College’s history. The donation contained unrestricted, temporarily restricted and permanently restricted components. The donation will be recognized in the College’s financial statements for the year ending June 30, 2026.

The College has evaluated subsequent events through the date of the auditors’ report, December 4, 2025, which is the date the accompanying financial statements were available to be issued.