

ANNA MARIA COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025
AND
INDEPENDENT AUDITOR'S REPORT

ANNA MARIA COLLEGE
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Anna Maria College

Opinion

We have audited the financial statements of Anna Maria College (the College), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2025, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the College's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. As discussed in Note 2 to the financial statements, the College has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit 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 auditor's 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 substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the College's 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 13, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ballus Lynch, LLP

Worcester, Massachusetts
April 13, 2026

ANNA MARIA COLLEGE

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With summarized comparative information for 2024)

| | Without Donor Restrictions | With Donor Restrictions | Total | |
|--|-------------------------------|----------------------------|----------------------|----------------------|
| | | | 2025 | 2024 |
| Assets | | | | |
| Cash and cash equivalents | \$ 133,499 | \$ - | \$ 133,499 | \$ 227,273 |
| Accounts receivable | | | | |
| Students, less allowance for doubtful accounts of \$1,429,688 and \$1,276,091 in 2025 and 2024, respectively | 707,512 | - | 707,512 | 414,466 |
| Government grants | 2,911,680 | - | 2,911,680 | 3,455,551 |
| Agency fund | - | - | - | 20,293 |
| Other | 208,106 | - | 208,106 | 215,278 |
| Contributions receivable, net | - | 136,467 | 136,467 | 429,455 |
| Student loans, net | 34,255 | - | 34,255 | 15,907 |
| Prepaid expenses and other assets | 335,607 | - | 335,607 | 167,717 |
| Investments | - | 1,613,352 | 1,613,352 | 8,666,820 |
| Other assets | - | - | - | 408,121 |
| Hedging instrument | 221,887 | - | 221,887 | 605,196 |
| Property and equipment, net | 26,788,771 | - | 26,788,771 | 26,790,578 |
| Due to (from) other funds | (2,363,043) | 2,363,043 | - | - |
| | <u>\$ 28,978,274</u> | <u>\$ 4,112,862</u> | <u>\$ 33,091,136</u> | <u>\$ 41,416,655</u> |
| Liabilities and Net Assets | | | | |
| Accounts payable | \$ 2,024,079 | \$ - | \$ 2,024,079 | \$ 2,403,384 |
| Accrued and other liabilities | 891,070 | - | 891,070 | 1,072,942 |
| Deferred tuition, fees and other | 499,654 | - | 499,654 | 286,747 |
| Student deposits | 138,882 | - | 138,882 | 173,212 |
| Agency funds | 20,594 | - | 20,594 | - |
| Deferred contract revenue | 1,969,694 | - | 1,969,694 | 2,240,460 |
| Long-term debt, net | 18,370,969 | - | 18,370,969 | 19,222,466 |
| Student loans - Federal Perkins Loan Program | 4,673 | - | 4,673 | 11,235 |
| | <u>23,919,615</u> | <u>-</u> | <u>23,919,615</u> | <u>25,410,446</u> |
| Total liabilities | | | | |
| Net assets | | | | |
| Without donor restrictions | 5,058,659 | - | 5,058,659 | 11,611,172 |
| With donor restrictions | - | 4,112,862 | 4,112,862 | 4,395,037 |
| | <u>5,058,659</u> | <u>4,112,862</u> | <u>9,171,521</u> | <u>16,006,209</u> |
| | <u>\$ 28,978,274</u> | <u>\$ 4,112,862</u> | <u>\$ 33,091,136</u> | <u>\$ 41,416,655</u> |

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025
(With summarized comparative information for 2024)

| | Without Donor | With Donor | Total | |
|---|---------------|--------------|---------------|---------------|
| | Restrictions | Restrictions | 2025 | 2024 |
| Operating revenue and other support: | | | | |
| Tuition and fees | \$ 37,595,855 | \$ - | \$ 37,595,855 | \$ 37,422,053 |
| Less: Financial aid | 22,730,295 | - | 22,730,295 | 21,837,527 |
| Employee tuition benefits | 564,829 | - | 564,829 | 516,905 |
| Tuition and fees, net | 14,300,731 | - | 14,300,731 | 15,067,621 |
| Auxiliary enterprises | 7,683,638 | - | 7,683,638 | 7,542,405 |
| Contributions and gifts of financial assets | 1,479,337 | 429,921 | 1,909,258 | 669,368 |
| Government grants | 1,017,946 | - | 1,017,946 | 4,416,176 |
| Investment return appropriated for operations | 226,089 | - | 226,089 | 131,138 |
| Other revenue | 198,222 | - | 198,222 | 263,664 |
| Net assets released from restriction: | | | | |
| Purpose restrictions | 437,072 | (437,072) | - | - |
| Total | 25,343,035 | (7,151) | 25,335,884 | 28,090,372 |
| Operating expenses: | | | | |
| Instruction | 8,828,934 | - | 8,828,934 | 8,840,461 |
| Academic support | 1,578,688 | - | 1,578,688 | 1,389,807 |
| Student services | 12,047,723 | - | 12,047,723 | 11,778,606 |
| Auxiliary enterprises | 2,675,676 | - | 2,675,676 | 2,683,242 |
| Institutional support | 6,880,171 | - | 6,880,171 | 7,177,577 |
| Institutional development | 731,547 | - | 731,547 | 772,459 |
| | 32,742,739 | - | 32,742,739 | 32,642,152 |
| Other | | | | |
| Scholarships | 119,114 | - | 119,114 | 79,280 |
| Total | 32,861,853 | - | 32,861,853 | 32,721,432 |
| Change in net assets from operating activities | (7,518,818) | (7,151) | (7,525,969) | (4,631,060) |
| Non-operating revenue (expense): | | | | |
| Contributions and gifts of financial assets restricted for capital purposes | - | 1,006,011 | 1,006,011 | 87,076 |
| Contributions and gifts of financial assets restricted for long-term investment | - | 2,500 | 2,500 | 8,927 |
| Investment return net of amounts appropriated for operations | 15,459 | 50,620 | 66,079 | 1,232,935 |
| Unrealized loss on hedging instrument | (383,309) | - | (383,309) | (84,859) |
| Net assets released from restrictions: | | | | |
| Purpose restrictions | 1,334,155 | (1,334,155) | - | - |
| Change in net assets from non-operating activities | 966,305 | (275,024) | 691,281 | 1,244,079 |
| Change in net assets | (6,552,513) | (282,175) | (6,834,688) | (3,386,981) |
| Net assets, beginning of year | 11,611,172 | 4,395,037 | 16,006,209 | 19,393,190 |
| Net assets, end of year | \$ 5,058,659 | \$ 4,112,862 | \$ 9,171,521 | \$ 16,006,209 |

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

(With summarized comparative information for 2024)

| | Program Services | | | | | | Totals | |
|-------------------------------------|---------------------|---------------------|----------------------|-----------------------|-----------------------|---------------------------|----------------------|----------------------|
| | Instruction | Academic Support | Student Services | Auxiliary Enterprises | Institutional Support | Institutional Development | 2025 | 2024 |
| Salaries and wages | \$ 6,025,082 | \$ 886,586 | \$ 3,779,787 | \$ 242,104 | \$ 2,116,564 | \$ 409,732 | \$ 13,459,855 | \$ 13,158,479 |
| Payroll taxes and employee benefits | 1,141,308 | 233,416 | 643,552 | 35,487 | 760,355 | 79,629 | 2,893,747 | 2,773,071 |
| Food services | - | - | - | 1,889,968 | - | - | 1,889,968 | 1,915,839 |
| Recruiting | - | - | 1,244,310 | - | 134,339 | - | 1,378,649 | 1,463,569 |
| Student activities | 625 | 4,457 | 109,243 | 11,199 | 115,286 | - | 240,810 | 250,183 |
| Utilities | 216,208 | 37,230 | 649,876 | 75,957 | 247,471 | - | 1,226,742 | 1,239,157 |
| Repairs and maintenance | 58,998 | 21,912 | 346,911 | 62,569 | 20,167 | - | 510,557 | 331,572 |
| Supplies | 158,901 | 18,846 | 432,941 | 22,923 | 71,712 | 3,118 | 708,441 | 653,357 |
| Professional fees | 361,480 | 74,109 | 941,796 | 20,615 | 1,296,615 | 101,389 | 2,796,004 | 3,199,634 |
| Vendor services | 333,047 | 57,349 | 1,001,070 | 117,004 | 114,567 | - | 1,623,037 | 1,559,932 |
| General insurance | - | - | - | - | 380,385 | - | 380,385 | 490,705 |
| Computer charges | 2,925 | 52,001 | 26,164 | - | 422,308 | - | 503,398 | 446,341 |
| Travel and entertainment | 36,914 | 18,403 | 739,830 | 47,697 | 59,096 | 70,643 | 972,583 | 1,023,770 |
| Faculty development | 50,856 | 22,363 | 6,019 | 883 | 10,606 | 144 | 90,871 | 92,206 |
| Advertising | - | - | 72,003 | - | 105,330 | 13,612 | 190,945 | 168,026 |
| Printing and mailing | 700 | 1,367 | 34,290 | 150 | 101,502 | 39,680 | 177,689 | 196,392 |
| Dues and subscriptions | 23,734 | 76,863 | 48,206 | 4,321 | 100,549 | 12,249 | 265,922 | 250,346 |
| Credit card and bank fees | - | - | - | - | 126,715 | - | 126,715 | 222,298 |
| Uncollectible accounts expense | - | - | - | - | 474,215 | - | 474,215 | 295,716 |
| Interest | 2,349 | 2,349 | 748,501 | 2,349 | 2,349 | - | 757,897 | 794,092 |
| Depreciation and amortization | 393,823 | 67,815 | 1,183,756 | 138,356 | 135,475 | - | 1,919,225 | 2,020,336 |
| Other | 21,984 | 3,622 | 39,468 | 4,094 | 84,565 | 1,351 | 155,084 | 97,131 |
| | <u>\$ 8,828,934</u> | <u>\$ 1,578,688</u> | <u>\$ 12,047,723</u> | <u>\$ 2,675,676</u> | <u>\$ 6,880,171</u> | <u>\$ 731,547</u> | <u>\$ 32,742,739</u> | <u>\$ 32,642,152</u> |

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2025

(With summarized comparative information for 2024)

| | <u>2025</u> | <u>2024</u> |
|---|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ (6,834,688) | \$ (3,386,981) |
| Adjustments to reconcile change in net assets to net cash used in operating activities: | | |
| Depreciation | 1,905,149 | 2,006,260 |
| Amortization of debt issuance costs | 14,076 | 14,076 |
| Uncollectible accounts expense | 474,215 | 295,716 |
| Net investment gains | (207,523) | (1,277,428) |
| Amortization of deferred contract revenue | (270,766) | (271,582) |
| Unrealized loss on hedging instrument | 383,309 | 84,859 |
| Contributions restricted for capital improvements | (1,006,011) | (87,076) |
| Contributions restricted for long-term investment | (2,500) | (8,927) |
| Contributions of financial assets | (192,177) | (243,494) |
| Increase (decrease) in operating assets: | | |
| Accounts, loans and contributions receivable | 47,047 | (1,054,129) |
| Prepaid expenses and other assets | 240,231 | (84,068) |
| (Increase) decrease in operating liabilities: | | |
| Accounts payable, trade | 17,690 | 772,201 |
| Accrued and other liabilities | (181,872) | 153,816 |
| Deferred tuition and fees | 212,907 | 72,283 |
| Student deposits | (34,330) | (99,465) |
| Agency funds | 40,887 | 39,865 |
| Total adjustments | <u>1,440,332</u> | <u>312,907</u> |
| Net cash used in operating activities | <u>(5,394,356)</u> | <u>(3,074,074)</u> |
| Cash flows from investing activities: | | |
| Payments for purchases of investments | (2,000,828) | (3,580,456) |
| Proceeds from sales of investments | 9,453,996 | 6,991,202 |
| Expenditures for property and equipment | <u>(2,300,337)</u> | <u>(1,677,945)</u> |
| Net cash provided by investing activities | <u>5,152,831</u> | <u>1,732,801</u> |
| Cash flows from financing activities: | | |
| Deferred contract revenue | - | 1,500,000 |
| Principal payments of long-term debt | (865,573) | (832,600) |
| Change in student loans - Federal Perkins Loan Program | (6,562) | (479,201) |
| Contributions restricted for capital improvements | 1,017,386 | 333,811 |
| Contributions restricted for long-term investment | <u>2,500</u> | <u>65,116</u> |
| Net cash provided by financing activities | <u>147,751</u> | <u>587,126</u> |
| Net decrease in cash and cash equivalents | (93,774) | (754,147) |
| Cash and cash equivalents, beginning of year | <u>227,273</u> | <u>981,420</u> |
| Cash and cash equivalents, end of year | <u>\$ 133,499</u> | <u>\$ 227,273</u> |

See accompanying independent auditor's report and notes to financial statements.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ORGANIZATION

Anna Maria College (the College) is a nonprofit, private college, located in Paxton, Massachusetts. The College is governed by a Board of Trustees. The College is empowered to award baccalaureate and master's degrees as well as programs of continuing education.

2 - SUBSTANTIAL DOUBT ABOUT THE COLLEGE'S ABILITY TO CONTINUE AS A GOING CONCERN

The accompanying financial statements have been prepared assuming that the College will continue as a going concern. The College has experienced reductions in net assets in recent years, including reductions in net assets from operating activities of \$(7,525,969) and \$(4,631,060) in 2025 and 2024, respectively, and overall reductions in net assets of \$(6,834,688) and \$(3,386,981) in 2025 and 2024, respectively. The College reported a use of cash from operating activities of \$(5,394,356) and \$(3,074,074) in 2025 and 2024, respectively. Due to the use of cash and investments for operations, the College no longer has financial resources in amounts needed to comply with donor restrictions. The shortfall totaled \$(2,363,043) as of June 30, 2025.

Management has evaluated the conditions giving rise to the substantial doubt about the College's ability to continue as a going concern within one year after the date the financial statements are issued. The College has experienced recurring operating losses, negative cash flows from operations, and reductions in net assets.

In response, the College has implemented a series of actions to improve its financial position and liquidity. Under the leadership of President Sean J. Ryan, the College responded firmly in early Fall 2025 by beginning an organizational restructuring of operations to align with the current and projected enrollment. These actions included reductions in staffing and operating costs.

The College has established conservative enrollment projections of approximately 270 new students annually for fiscal years 2027 through 2029, and is actively investing in partnerships with community colleges and high schools, including dual enrollment programs, to support future enrollment growth. Retention and recruitment indicators have shown improvement, including increased spring enrollment and growth in targeted academic programs.

In April 2026, the College received an anonymous, unrestricted gift of \$5,300,000. Management expects this contribution to provide significant near-term liquidity and support ongoing operations as additional revenue-generating initiatives are implemented. The College also has an outstanding Employee Retention Tax Credit from the Federal Government of approximately \$2,800,000.

Management continues to evaluate additional measures to enhance liquidity, including further cost containment, fundraising initiatives, and strategic partnerships.

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The College prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the College are described subsequently to enhance the usefulness and understandability of the financial statements.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized comparative information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

Basis of accounting

The financial statements of the College have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the College obtains the rights of ownership or is entitled to claims for receipt and liabilities are recorded when the obligation is incurred.

Accounting estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the College's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The College's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the College, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations. In addition, the governing board of the College may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Net assets with donor restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the College must continue to use the resources in accordance with the donor's instructions.

The College's unspent contributions are included in this class if the donor limited their use, as are its donor-restricted endowment funds.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the College, unless the donor provides more specific directions about the period of its use.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Classification of transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions. Net gains on endowment investments increase net assets with donor restrictions, and net losses on endowment investments reduce that net asset class.

Cash and cash equivalents

The College maintains accounts at various financial institutions which, at times, may exceed federally insured limits. The College has not experienced any losses in such accounts. The College believes it is not exposed to any significant credit risk on cash and cash equivalents.

For purposes of these financial statements, the College considers all undesignated money market funds and highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Student accounts receivable

Student accounts receivable are reported net of any anticipated losses due to uncollectible amounts. The College considers an account to be past due when a student leaves mid-semester with an unpaid account balance or when a student has an account balance at the end of the semester. Current students with unpaid balances during the semester are assessed finance charges. Former students with past due accounts are subject to past due letter collection efforts and are subsequently placed with third-party collection agencies. If an account balance still exists at the conclusion of the 12 month collection period the account is in consideration to be written off. The collectability of individual accounts is evaluated closely at the close of each fiscal year, and the allowance for uncollectible accounts is adjusted to a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. Historical past-due history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectible amounts. The College does not assess finance charge against student receivables that are placed in collection.

Opening and closing balances for student accounts receivable were as follows:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>July 1, 2023</u> |
|---------------------|----------------------|----------------------|---------------------|
| Accounts receivable | <u>\$ 611,171</u> | <u>\$ 414,466</u> | <u>\$ 534,297</u> |

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student loans receivable

Student loans receivable are reported net of any anticipated losses due to uncollectibility. The College considers a loan to be in default when it has been past due for a period of twelve months. All loans are placed with a third-party collection agency. The allowance for uncollectible loans is calculated as the average of the outstanding loan balance multiplied by the cohort default rate for institutional loans. The Federal Perkins Loan program has provisions for deferment, forbearance, and cancellation of individual loans. Interest continues to accrue while the loan is placed with a collection agency.

Investments

Investments are reported at fair value. The net investment return is reported in the statement of activities as increases or decreases in net assets without donor restrictions unless its use is restricted by explicit donor stipulations or by law.

Endowment funds

The College's endowment consists of individual donor restricted funds established for a variety of purposes. Its endowment includes both donor restricted endowment funds and funds designated by the College to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed or legal restrictions. Endowment funds include invested gifts and cash.

As required by generally accepted accounting principles, the College classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as non-expendable net assets is classified as expendable net assets until those amounts are appropriated for expenditure by the College in a manner consistent with the standard of prudence prescribed by state law.

In accordance with the Uniform Prudent Management of Institutional Funds Act, the College may consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the College and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of the College; and the investment policies of the College.

The College has adopted investment and spending policies for its board-designated and other endowment assets that attempt to provide a predictable stream of funding for its programs while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a portfolio of debt and equity securities with the objective of achieving long-term capital appreciation while moderating the level of investment risk. Actual returns in any given year may vary from this amount.

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

The College has a policy of appropriating for distribution each year 5.00% of the twelve quarter average fair market value of the endowment calculated as of June 30 for the preceding year in which the distribution is planned. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of its endowment.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment funds (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor imposed restrictions require the College to retain as a fund of perpetual duration. The College may appropriate for expenditure from these underwater endowment funds in accordance with the prudent measures prescribed by state law. Such deficiencies amounted to \$90,688 and \$91,095 as of June 30, 2025 and 2024, respectively, with an original gift value of \$180,016 as of 2025 and 2024.

Debt issuance costs

Debt issuance costs, which represent fees and other costs associated with obtaining long-term debt, are deferred and amortized using the straight-line method, which approximates the level yield method, over the term of the financing. Bond issuance costs will be amortized at an annual rate of approximately \$14,100 through 2040. Long-term debt is presented net of unamortized debt issuance costs on the statement of financial position.

Property and equipment

Property and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$2,500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Impairment of long-lived assets and long-lived assets to be disposed of

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.

Deferred tuition and fees

Certain deposits and advance payments received for tuition and fees related to the College's Summer Session II programs and tuition billed relating to the ensuing academic year are deferred and are recorded as deferred tuition and fees.

Opening and closing balances for deferred tuition and fees were as follows:

| | <u>June 30, 2025</u> | <u>June 30, 2024</u> | <u>July 1, 2023</u> |
|---------------------------|----------------------|----------------------|---------------------|
| Deferred tuition and fees | <u>\$ 499,654</u> | <u>\$ 286,747</u> | <u>\$ 214,464</u> |

Deferred contract revenue

Refundable advances received from the College's food service vendor are recorded as deferred contract revenue and recognized ratably over the life of the contract.

Hedging instruments

Hedging instruments, including interest rate swaps, are recorded on the statement of financial position as either assets or liabilities measured at their fair value. All changes in the fair value of hedging instruments are recognized currently in the statement of activities.

Measure of operations

In its statement of activities, the College includes in its definition of *operations* all revenues and expenses that are an integral part of its programs and supporting activities. Contributions restricted for endowment and capital purposes, investment earnings related to the endowment, and hedging instrument activity are recognized as non-operating activities. The net investment return is recognized as non-operating item until drawn for operations.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions and gifts of financial assets

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributions of nonfinancial assets

The College receives contributions in a form other than cash or investments. If material, donated supplies and other items are recorded as contributions at the date of gift and as expenses when the donated items are placed into service or distributed. If the College receives a contribution of equipment, the contributed asset is recognized as an asset at its estimated fair value at the date of gift, provided that the value of the asset and its estimated useful life meets the College's capitalization policy.

The College benefits from personal services provided by a substantial number of volunteers. Those volunteers have donated significant amounts of time and services in the College's program operations and in its fund-raising events. However, the majority of the contributed services do not meet the criteria for recognition in financial statements. GAAP allows recognition of contributed services only if (a) the services create or enhance nonfinancial assets or (b) the services would have been purchased if not provided by contribution, require specialized skills, and are provided by individuals possessing those skills.

Leases

The College determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The College also considers whether its service arrangements include the right to control the use of an asset.

The College made an accounting policy election available under ASC 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the College made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Expense recognition and allocation

The cost of providing the College's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on activity reports prepared by key personnel.
- Utilities, depreciation and amortization, and interest are allocated on a square foot basis dependent on the programs and supporting activities occupying the space.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense recognition and allocation (continued)

- General insurance and supplies that cannot be directly identified are allocated on the same basis as occupancy for each program and supporting activity.

Management periodically evaluates the basis on which costs are allocated.

Institutional support expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the College.

Institutional development costs are expensed as incurred, even though they may result in contributions received in future years. The College generally does not conduct its institutional development activities in conjunction with its other activities. In the few cases in which it does, joint costs have been allocated between institutional development, academic support and institutional support expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred. Advertising expense was \$301,624 and \$284,524 in 2025 and 2024, respectively.

Self-insured state unemployment program

Under Massachusetts law, a not-for-profit organization may elect to fund its state unemployment claims under the direct reimbursement financing plan. Under this plan, the College is required to pay the state only for claims made by its former employees for unemployment benefits.

Tax-exempt status

The College is exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (IRC), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). Contributions to the College are tax deductible to donors under Section 170 of the IRC. The College is not classified as a private foundation.

4 - LIQUIDITY AND AVAILABILITY

The following totals reflect the College's financial assets as of June 30, 2025 and 2024, available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 133,499 | \$ 227,273 |
| Accounts receivable, net | 3,827,298 | 4,105,588 |
| Contributions receivable, net | 136,467 | 429,455 |
| Student loans | 34,255 | 15,907 |
| Investments | 1,613,352 | 8,666,820 |
| Other assets | - | 408,121 |
| Total financial assets | <u>5,744,871</u> | <u>13,853,164</u> |
| Less: Financial assets held to meet donor-imposed restrictions: | | |
| Purpose-restricted net assets | 2,683,284 | 2,752,322 |
| Contributions receivable unavailable for spending for more than one year, some of which are also subject to purpose restriction | 77,176 | 117,343 |
| Donor-restricted endowment funds | 1,352,402 | 1,525,372 |
| Less: Financial assets not available within one year: | | |
| Student loans | <u>34,255</u> | <u>15,907</u> |
| Amount available for general expenditures within one year | <u>\$ 1,597,754</u> | <u>\$ 9,442,220</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

4 - LIQUIDITY AND AVAILABILITY (Continued)

The above table reflects donor-restricted endowment funds as unavailable because it is the College's intention to invest those resources for the long-term support of the College. Some of the College's operating funds are in short term investments, however the bulk resides in money market accounts which is accessible for operations. The College does not have access to a line of credit at this time.

The College regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. While the College faced operational and economic challenges in 2024 and 2025, which resulted in a net loss for each year, the College anticipates collecting sufficient contributions and revenue to cover general expenditures not covered by donor-restricted resources and endowment appropriations.

5 - CONTRIBUTIONS RECEIVABLE

Payments on contributions receivable as of June 30, 2025 are expected to be received as follows:

| | |
|------|-------------------|
| 2026 | \$ 59,291 |
| 2027 | 48,650 |
| 2028 | 16,384 |
| 2029 | 10,100 |
| 2030 | 2,042 |
| | <u>\$ 136,467</u> |

6 - STUDENT LOANS

Student loans consist of the following:

| | <u>2025</u> | <u>2024</u> |
|---|------------------|------------------|
| Perkins loans | \$ 33,833 | \$ 15,256 |
| AMC direct and AMC loans, net of allowance for uncollectible loans of \$402,877 | <u>422</u> | <u>651</u> |
| | <u>\$ 34,255</u> | <u>\$ 15,907</u> |

7 - INVESTMENTS

Investments are included in the following classes of net assets:

| | <u>2025</u> | <u>2024</u> |
|----------------------------------|---------------------|---------------------|
| With donor restrictions: | | |
| Donor restricted endowment funds | \$ 1,352,402 | \$ 1,525,372 |
| Donor restricted purpose funds | 260,950 | 2,440,210 |
| Without donor restrictions: | | |
| Undesignated | <u>-</u> | <u>4,701,238</u> |
| | <u>\$ 1,613,352</u> | <u>\$ 8,666,820</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

7 - INVESTMENTS (Continued)

Investments are composed of the following:

| | 2025 | | 2024 | |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Investment securities | | | | |
| Equity securities | \$ 161,127 | \$ 247,234 | \$ 3,639,601 | \$ 5,511,309 |
| U.S. Treasury securities | 656,328 | 648,855 | 1,357,765 | 1,298,563 |
| Corporate bonds | 697,762 | 691,447 | 1,630,559 | 1,549,851 |
| Exchange traded products | - | - | 193,950 | 192,461 |
| Mortgage-backed securities | 327 | 116 | 362 | 151 |
| Cash and money market accounts | 25,700 | 25,700 | 114,485 | 114,485 |
| | <u>\$ 1,541,244</u> | <u>\$ 1,613,352</u> | <u>\$ 6,936,722</u> | <u>\$ 8,666,820</u> |

Net investment return is composed of the following:

| | 2025 | 2024 |
|---|------------------|---------------------|
| Net investment gains | \$ 207,523 | \$ 1,277,428 |
| Dividends and interest | 113,506 | 131,942 |
| Investment management fees | <u>(28,861)</u> | <u>(45,297)</u> |
| | 292,168 | 1,364,073 |
| Less: Amounts appropriated for operations | <u>226,089</u> | <u>131,138</u> |
| | <u>\$ 66,079</u> | <u>\$ 1,232,935</u> |

8 - ENDOWMENT ASSETS

Endowment assets includes board designated funds and donor restricted funds. Changes in endowment assets for the year ended June 30, 2025 are as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------|-------------------------|---------------------|
| Beginning of year | \$ - | \$ 1,525,372 | \$ 1,525,372 |
| Investment return: | | | |
| Interest and dividends | - | 14,246 | 14,246 |
| Net appreciation (realized/unrealized) | - | 36,373 | 36,373 |
| Total investment return | - | 50,619 | 50,619 |
| Additions | - | 2,500 | 2,500 |
| Appropriation for expenditure | - | <u>(226,089)</u> | <u>(226,089)</u> |
| End of year | <u>\$ -</u> | <u>\$ 1,352,402</u> | <u>\$ 1,352,402</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

9 - PROPERTY AND EQUIPMENT

Property and equipment, together with estimated useful lives, consists of the following:

| | Estimated Useful Lives | 2025 | 2024 |
|--|---------------------------|---------------------|---------------------|
| Land | - | \$ 447,180 | \$ 447,180 |
| Land improvements | 50 years | 10,088,205 | 10,068,505 |
| Buildings and improvements | 20 - 50 years | 44,400,760 | 42,614,639 |
| Furniture and equipment | 5 - 15 years | 13,049,731 | 12,462,354 |
| Motor vehicles | 5 years | 542,559 | 461,185 |
| Library books, periodicals, and audio-visual materials | 5 years | 2,020,877 | 2,020,877 |
| Construction in process | - | 1,811,525 | 2,382,755 |
| | | 72,360,837 | 70,457,495 |
| Less: Accumulated depreciation | | 45,572,066 | 43,666,917 |
| | | <u>\$26,788,771</u> | <u>\$26,790,578</u> |

Depreciation expense was \$1,905,149 and \$2,006,260 in 2025 and 2024, respectively.

10 - DEFERRED CONTRACT REVENUE

The College entered into a twelve year contract with Sodexo Operations, LLC (Sodexo) to have Sodexo provide all dining services for the College. Under the terms of the contract, the College provides all dining facilities and is responsible for all maintenance and repairs to the facility. Dining services personnel are considered Sodexo employees. As part of the contract, Sodexo made a payment of \$1,750,000 to the College in June 2018 for facility enhancements to the dining facilities. This amount is included as restricted cash until expended. This amount has been recorded as deferred contract revenue on the statement of financial position and is being amortized over the life of the contract. The amount amortized was \$145,766 and \$145,900 in 2025 and 2024, respectively, leaving a remaining amount to be amortized of \$720,376 and \$866,142 in 2025 and 2024, respectively.

The College entered into a second twelve year contract with Sodexo. As part of this contract, Sodexo made a payment of \$1,500,000 to the College in July, 2023 to be used at the discretion of the College. This amount has been recorded as deferred contract revenue on the statement of financial position and is being amortized over the life of the contract. The amount amortized was \$125,000 and \$125,682 in 2025 and 2024, respectively, leaving a remaining amount to be amortized of \$1,249,318 and \$1,374,318 in 2025 and 2024, respectively.

11 - LONG-TERM DEBT

Long-term debt consists of the following:

| | 2025 | 2024 |
|--|----------------------|----------------------|
| Note payable, MDFA, secured by substantially all assets of the College due in increasing monthly principal installments ranging from \$69,3000 to \$131,666 plus interest at 65% of the sum of adjusted SOFR Rate (4.45% as of June 30, 2025) plus 3.25% through December, 2040. | \$ 18,754,908 | \$ 19,620,481 |
| Less: Unamortized debt issuance costs, net of accumulated amortization of \$106,266 and \$92,190 in 2025 and 2024, respectively | 383,939 | 398,015 |
| | <u>\$ 18,370,969</u> | <u>\$ 19,222,466</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

11 - LONG-TERM DEBT (Continued)

In connection with the note payable, MDFA agreement, the College has agreed to various restrictive covenants. The College was in violation of certain covenant requirements for the year ending June 30, 2025 for which the College obtained a written waiver of compliance from the note holder.

Maturities of long-term debt in subsequent years are as follows:

| | |
|------------|----------------------|
| 2026 | \$ 899,850 |
| 2027 | 935,485 |
| 2028 | 972,531 |
| 2029 | 1,011,045 |
| 2030 | 1,051,083 |
| Thereafter | <u>13,884,914</u> |
| | <u>\$ 18,754,908</u> |

12 - HEDGING INSTRUMENT

The College maintains an interest-rate risk-management strategy that uses derivative instruments to minimize significant, unanticipated earnings fluctuations caused by interest-rate volatility.

The College entered into an interest rate swap agreement in 2018 related to its long-term debt. The swap is utilized to manage interest rate exposures and is designated as a highly effective cash flow hedge. The differential to be paid or received on the swap agreement is accrued as interest rates change and is recognized over the life of the agreement in interest expense. The swap agreement's expiration date is November, 2027 and the rate is 1.792%. The notional amount is \$18,754,908 and \$19,620,482 in 2025 and 2024, respectively. Included in statements of activities is an unrealized loss of \$383,309 and \$84,859 relating to changes in the fair value of the swap agreement in 2025 and 2024, respectively.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

13 - NET ASSETS WITH DONOR RESTRICTIONS

At June 30, 2025 and 2024, net assets with donor restrictions are available for the following purposes or periods:

| | <u>2025</u> | <u>2024</u> |
|--|---------------------|---------------------|
| Purpose restrictions, available for spending | | |
| Scholarships and financial aid | \$ 428,068 | \$ 339,159 |
| Lecture series | 135,451 | 106,831 |
| Acquisition of property and equipment | 1,150,313 | 1,085,058 |
| Ethics Institute activities | 50,125 | 50,125 |
| Multi-cultural activities | 47,189 | 47,190 |
| Library | 77,624 | 57,210 |
| Education | 2,170 | 2,170 |
| Molly Bish Center | 6,288 | 6,288 |
| Other | <u>726,765</u> | <u>746,179</u> |
| Total purpose restricted net assets | <u>2,623,993</u> | <u>2,440,210</u> |
| Time restrictions: | | |
| Contributions receivable, which are unavailable for spending until due, some of which are also subject to purpose restrictions | <u>136,467</u> | <u>429,455</u> |
| Endowment funds, which must be appropriated by the Board of Trustees before use: | | |
| Student scholarships (original gifts of \$881,302 and \$878,802 in 2025 and 2024, respectively) | 1,024,613 | 1,165,773 |
| Library support (original gifts of \$56,619) | 77,884 | 88,623 |
| Lecture series (original gifts of \$110,000) | 234,169 | 255,746 |
| Ethics Institute activities (original gifts of \$21,113) | <u>15,736</u> | <u>15,230</u> |
| Total endowment funds managed by the College | <u>1,352,402</u> | <u>1,525,372</u> |
| Total net assets with donor restrictions | <u>\$ 4,112,862</u> | <u>\$ 4,395,037</u> |

During 2025 and 2024, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors as follows:

| | <u>2025</u> | <u>2024</u> |
|---|---------------------|-------------------|
| Purpose restrictions: | | |
| Operating: | | |
| Scholarships and financial aid | \$ 196,557 | \$ 165,699 |
| Lecture series | 1,455 | 4,097 |
| Education | - | 8,863 |
| Other | <u>239,060</u> | <u>239,923</u> |
| Total operating release from restrictions | 437,072 | 418,582 |
| Non-operating: | | |
| Acquisition of property and equipment | <u>1,334,155</u> | <u>374,461</u> |
| | <u>\$ 1,771,227</u> | <u>\$ 793,043</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

14 - GOVERNMENT GRANTS

In 2025, the College received various government grants from the Department of Education, Department of Justice and the Department of Health and Human Services in the amounts of \$124,093; \$586,145; and \$307,708, respectively.

In 2024, the College received various government grants from the Department of Education, Department of Justice and the Department of Health and Human Services in the amounts of \$3,181; \$1,226,266; and \$378,759, respectively.

The College recorded refundable tax credits of \$2,807,970 as government grants income on the statement of activities for the year ended June 30, 2024 and as government grants receivable on the statement of financial position as of June 30, 2025 and 2024 under the Employee Retention Tax Credit (ERTC) provisions of the CARES Act, Consolidated Appropriations Act, and American Rescue Plan Act. The ERTC is a refundable tax credit against certain employment taxes paid after March 12, 2020 through December 31, 2021. The ERTC is subject to audit by the Internal Revenue Service. The possible disallowance of any costs used in the calculation of the ETRC cannot be determined at this time. Accordingly, no provision for any liability that may result has been made in the financial statements.

15 - RETIREMENT PLAN

The College offers a 403(b) retirement plan which covers substantially all employees. Participants in the plan may direct investments to the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF) as custodians of the plan. In general, contributions to this defined contribution plan are made by the employees of the College and the College on a matching basis. Contributions provided by the College amounted to \$445,989 and \$433,757 in 2025 and 2024, respectively.

16 - FAIR VALUE MEASUREMENTS

The College reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows:

Level 1: Valuation is based on quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

When available, the College measures fair value using level 1 inputs because they generally provide the most reliable evidence of fair value. However, level 1 inputs are not available for many of the assets and liabilities that the College is required to measure at fair value (for example, unconditional promises to give and in-kind contributions).

The primary uses of fair value measures in the College's financial statements are:

- initial measurement of noncash gifts, including gifts of investment assets and unconditional promises to give
- recurring measurement of endowment and long-term investments.
- recurring measurement of hedging instruments.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

16 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value

Following is a description of the valuation methodologies used for items measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2025.

Equity securities, mutual funds, and exchange traded products: Valued at the closing price reported on the active market in which the individual securities are traded. These funds held by the College are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (“NAV”) and to transact at that price. The securities held by the College are deemed to be actively traded.

U.S. Treasury Securities, Corporate bonds and Mortgage-back securities: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

Cash and money market accounts: Valued at the closing price reported in the market in which the individual securities are traded.

Hedging instrument: Valued using unobservable inputs, such as quotations received from counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk and correlations of such inputs.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the College 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.

The College’s financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2025 as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|-------------------|---------------------|-------------------|---------------------|
| Investments | | | | |
| Equity securities | \$ 247,234 | \$ - | \$ - | \$ 247,234 |
| U.S. Treasury securities | - | 648,855 | - | 648,855 |
| Corporate bonds | - | 691,447 | - | 691,447 |
| Mortgage-backed securities | - | 116 | - | 116 |
| Cash and money market accounts | <u>25,700</u> | <u>-</u> | <u>-</u> | <u>25,700</u> |
| Total investments | <u>272,934</u> | <u>1,340,418</u> | <u>-</u> | <u>1,613,352</u> |
| Hedging instrument | <u>-</u> | <u>-</u> | <u>221,887</u> | <u>221,887</u> |
| Total recurring fair value measurements | <u>\$ 272,934</u> | <u>\$ 1,340,418</u> | <u>\$ 221,887</u> | <u>\$ 1,835,239</u> |

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

16 - FAIR VALUE MEASUREMENTS (Continued)

Determination of fair value (continued)

The College's financial assets that are measured at fair value on a recurring basis were recorded using the fair value hierarchy at June 30, 2024 as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|---------------------|---------------------|-------------------|---------------------|
| Investments | | | | |
| Equity securities | \$ 5,511,309 | \$ - | \$ - | \$ 5,511,309 |
| U.S. Treasury securities | - | 1,298,563 | - | 1,298,563 |
| Corporate bonds | - | 1,549,851 | - | 1,549,851 |
| Exchange traded products | 192,461 | - | - | 192,461 |
| Mortgage-backed securities | - | 151 | - | 151 |
| Cash and money market accounts | 114,485 | - | - | 114,485 |
| Total investments | <u>5,818,255</u> | <u>2,848,565</u> | <u>-</u> | <u>8,666,820</u> |
| Other assets | | | | |
| Equity securities | 124,973 | - | - | 124,973 |
| Mutual funds | 270,525 | - | - | 270,525 |
| Cash and cash equivalents | 12,623 | - | - | 12,623 |
| Total other assets | <u>408,121</u> | <u>-</u> | <u>-</u> | <u>408,121</u> |
| Hedging instrument | <u>-</u> | <u>-</u> | <u>605,196</u> | <u>605,196</u> |
| Total recurring fair value measurements | <u>\$ 6,226,376</u> | <u>\$ 2,848,565</u> | <u>\$ 605,196</u> | <u>\$ 9,680,137</u> |

There were no significant transfers between the levels during the year. The College's policy is to recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the availability of fair value inputs are not recognized.

A reconciliation of assets measured at fair value using significant unobservable inputs (Level 3) follows:

| | |
|--|-------------------|
| Balance at June 30, 2024 | \$ 605,196 |
| Total unrealized loss included in change in net assets | <u>(383,309)</u> |
| Balance at June 30, 2025 | <u>\$ 221,887</u> |

17 - STATEMENT OF CASH FLOWS

Supplemental disclosures of cash flows information are as follows:

| | <u>2025</u> | <u>2024</u> |
|--|-------------|-------------|
| Cash paid during the year for interest | \$ 772,408 | \$ 795,954 |

Included in accounts payable and accrued and other liabilities at June 30, 2025 and 2024 are amounts owed for property and equipment acquisitions of \$159,122 and \$556,117, respectively.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS

(Continued)

18 - CONCENTRATIONS OF RISK

The College's investments are subject to various risks, such as interest rate, credit, and overall market volatility risks. Further, because of the significance of the investments to the College's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the financial statements. Management is of the opinion that the diversification of its invested assets among the various asset classes should mitigate the impact of changes in any one class.

19 - COMMITMENTS AND CONTINGENCIES

Net assets without donor restrictions include \$1,021,901, representing the proceeds of a contingent note payable to the Congregation of the Sisters of Saint Anne. In the event that the College liquidates its assets, it will be required to repay this amount.

The College entered into an employment agreement with the President of the College through June 30, 2025. In connection with the employment agreement, the College accrued \$220,000 and \$120,000 as of June 30, 2025 and 2024, respectively.

The College is involved in litigation on several matters and is subject to certain claims which arise in the normal course of business. Management believes that adverse decisions, if any, relative to these matters will not have a material effect on the College's financial position.

20 - DEFERRED COMPENSATION

The College established an Internal Revenue Code (IRC) section 457(b) plan and a section 457(f) plan for a certain employee. The College may make discretionary contributions to the 457(b) plan and section 457(f) plan. The College made contributions of \$30,500 and \$30,000 to the 457(b) plan during 2025 and 2024, respectively. Additionally, the College made contributions of \$75,000 to the 457(f) plan during 2025 and 2024. Deferred compensation plan assets of \$0 and \$408,121 at June 30, 2025 and 2024, respectively, were earmarked by the College to fund the deferred compensation liabilities and were included in other assets in the accompanying statements of financial position. The plan liabilities were included in accrued and other liabilities in the accompanying statements of financial position. Deferred compensation plan assets of \$532,003 were used for payment of the deferred compensation liabilities during 2025. Deferred compensation plan assets consisted of equity securities, mutual funds and cash and cash equivalents at fair value as of June 30, 2024.

21 - LEASES

The College has equipment rental that falls under the short-term lease exemption under ASC 842. Lease expense was \$195,915 and \$142,945 in 2025 and 2024, respectively.

22 - RELATED PARTY TRANSACTIONS

During 2025 and 2024, a member of the College's board of trustees was a partner at a law firm that provided services to the College. The College paid the law firm approximately \$13,800 and \$20,800 in 2025 and 2024, respectively for services.

Total contributions received from board members was \$75,940 and \$92,430 in 2025 and 2024, respectively. At June 30, 2025 and 2024, contributions receivable included \$13,000 and \$51,000, respectively, from the College's board members.

ANNA MARIA COLLEGE

NOTES TO FINANCIAL STATEMENTS
(Continued)

23 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through April 13, 2026, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.