

Financial Statements and Report of
Independent Certified Public Accountants

EMERSON COLLEGE

June 30, 2025 and 2024

EMERSON COLLEGE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Emerson College

Opinion

We have audited the financial statements of Emerson College (a nonprofit organization) (the “College”), 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 accompanying financial statements 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 years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 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 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 for one year after the date the financial statements are 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 US 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 US 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.

Grant Thornton LLP

Boston, Massachusetts
October 24, 2025

EMERSON COLLEGE
Statements of Financial Position
As of June 30, 2025 and 2024
(Dollars in thousands)

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and short-term investments	\$ 111,992	\$ 120,662
Student, contributions, and other receivables, net (Note 4)	7,455	12,708
Other assets	10,877	10,696
Investments (Notes 5 and 6)	293,770	265,405
Right-of-use assets	19,011	21,466
Land, buildings and equipment, net (Note 7)	<u>719,539</u>	<u>727,268</u>
Total assets	<u><u>\$ 1,162,644</u></u>	<u><u>\$ 1,158,205</u></u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,292	\$ 33,651
Student deposits and deferred revenues (Note 8)	16,767	12,594
Tenant capital improvements liability (Note 2)	10,477	10,804
Bonds payable, net (Note 9)	475,166	493,696
Lease obligations (Note 13)	<u>20,989</u>	<u>23,433</u>
Total liabilities	<u>556,691</u>	<u>574,178</u>
NET ASSETS		
Without donor restrictions (Note 10)	507,078	497,784
With donor restrictions (Note 10)	<u>98,875</u>	<u>86,243</u>
Total net assets	<u>605,953</u>	<u>584,027</u>
Total liabilities and net assets	<u><u>\$ 1,162,644</u></u>	<u><u>\$ 1,158,205</u></u>

The accompanying notes are an integral part of these financial statements.

EMERSON COLLEGE

Statement of Activities

For the year ended June 30, 2025 with summarized totals for the year ended June 30, 2024

(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
OPERATING				
Revenues				
Tuition and fees, net of \$77,726 and \$74,477, respectively, of scholarship aid and grants to students (Note 2)	\$ 169,043	\$ -	\$ 169,043	\$ 184,895
Auxiliary enterprises	56,922	-	56,922	57,515
Government grants and appropriations	1,193	-	1,193	2,062
Contributions	4,144	1,180	5,324	5,003
Investment income available for operations (Notes 5 and 6)	8,846	880	9,726	9,160
Other investment income (Note 5)	8,531	-	8,531	7,487
Other sources	6,289	-	6,289	4,519
Royalty revenue	2,928	-	2,928	2,927
Total revenues	257,896	2,060	259,956	273,568
Net assets released from restrictions (Note 11)	1,676	(1,676)	-	-
Total revenues and other support	259,572	384	259,956	273,568
Expenses (Note 12)				
Compensation	107,224	-	107,224	104,524
Fringe benefits	29,542	-	29,542	31,727
Supplies, services and other general costs	75,170	-	75,170	76,655
Depreciation	21,533	-	21,533	20,975
Interest	21,470	-	21,470	21,714
Utilities and occupancy	13,281	-	13,281	12,170
Total expenses	268,220	-	268,220	267,765
Change in net assets from operating activities	(8,648)	384	(8,264)	5,803
NONOPERATING				
Reinvested investment gains (Notes 5 and 6)	17,014	6,880	23,894	23,239
Perpetual-restricted contributions	-	3,394	3,394	677
Gain on debt defeasance	5,457	-	5,457	-
Other nonoperating activities	(2,555)	-	(2,555)	(123)
Transfer of net assets	(1,974)	1,974	-	-
Gain on sale of land, buildings, and equipment	-	-	-	1,821
Marlboro College transaction contribution (Note 1)	-	-	-	1,790
Change in net assets from nonoperating activities	17,942	12,248	30,190	27,404
Change in net assets	9,294	12,632	21,926	33,207
Net assets, beginning of year	497,784	86,243	584,027	550,820
Net assets, end of year	\$ 507,078	\$ 98,875	\$ 605,953	\$ 584,027

The accompanying notes are an integral part of these financial statements.

EMERSON COLLEGE
Statement of Activities
For the year ended June 30, 2024
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total
OPERATING			
Revenues			
Tuition and fees, net of \$74,477 of scholarship aid and grants to students (Note 2)	\$ 184,895	\$ -	\$ 184,895
Auxiliary enterprises	57,515	-	57,515
Government grants and appropriations	2,062	-	2,062
Contributions	4,077	926	5,003
Investment income available for operations (Notes 5 and 6)	8,286	874	9,160
Other investment income (Note 5)	7,487	-	7,487
Other sources	4,519	-	4,519
Royalty revenue	2,927	-	2,927
Total revenues	271,768	1,800	273,568
Net assets released from restrictions (Note 11)	2,802	(2,802)	-
Total revenues and other support	274,570	(1,002)	273,568
Expenses (Note 12)			
Compensation	104,524	-	104,524
Fringe benefits	31,727	-	31,727
Supplies, services and other general	76,655	-	76,655
Depreciation	20,975	-	20,975
Interest	21,714	-	21,714
Utilities and occupancy	12,170	-	12,170
Total expenses	267,765	-	267,765
Change in net assets from operating activities	6,805	(1,002)	5,803
NONOPERATING			
Reinvested investment gains (Notes 5 and 6)	16,376	6,863	23,239
Perpetual-restricted contributions	-	677	677
Other nonoperating activities	(123)	-	(123)
Gain on sale of land, buildings, and equipment	1,821	-	1,821
Marlboro College transaction contribution (Note 1)	1,790	-	1,790
Change in net assets from nonoperating activities	19,864	7,540	27,404
Change in net assets	26,669	6,538	33,207
Net assets, beginning of year	471,115	79,705	550,820
Net assets, end of year	<u>\$ 497,784</u>	<u>\$ 86,243</u>	<u>\$ 584,027</u>

The accompanying notes are an integral part of these financial statements.

EMERSON COLLEGE
Statements of Cash Flows
For the years ended June 30, 2025 and 2024
(Dollars in thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 21,926	\$ 33,207
Adjustments to reconcile change in net assets to net cash and short-term investments provided by operations		
Depreciation and amortization	19,237	18,933
Net realized and unrealized gain on investments	(33,620)	(32,399)
Gain on sale of land, buildings, and equipment	-	(1,821)
Contributions restricted for long term purposes	(2,360)	(795)
Gain on debt defeasance	(5,457)	-
Non-cash change in right-of-use assets and lease obligations	3,450	3,289
Non-cash change in student, contributions, and other receivables reserve	251	(58)
Changes in operating assets and liabilities that provide (use) cash:		
Student, contributions, and other receivables	5,002	(5,809)
Other assets	(181)	3,176
Accounts payable and accrued expenses	971	2,322
Student deposits and deferred revenue	4,173	(6,398)
Lease obligation payments	(3,439)	(3,128)
Net cash and short-term investments provided by operating activities	<u>9,953</u>	<u>10,519</u>
Cash flows from investing activities:		
Purchases of investments	(202,280)	(52,725)
Sales and maturities of investments	207,654	61,006
Purchases of land, buildings and equipment	(15,253)	(18,901)
Sale of land, buildings and equipment	-	5,626
Net cash and short-term investments used in investing activities	<u>(9,879)</u>	<u>(4,994)</u>
Cash flows from financing activities:		
Repayment of bonds payable	(103,725)	(11,040)
Funds transferred to bond trustee	(10)	-
Bond issuance costs	(587)	-
Proceeds from bond issuance	93,218	-
Contributions restricted for long term purposes	2,360	795
Net cash and short-term investments used in financing activities	<u>(8,744)</u>	<u>(10,245)</u>
NET (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	<u>(8,670)</u>	<u>(4,720)</u>
Cash and short-term investments, beginning of year	<u>120,662</u>	<u>125,382</u>
Cash and short-term investments, end of year	<u><u>\$ 111,992</u></u>	<u><u>\$ 120,662</u></u>
Supplemental disclosures:		
Cash paid during the year for interest	\$ 23,152	\$ 23,704
Noncash investment activity:		
Costs accrued for capital expenditures	\$ 687	\$ 2,136
Fair value of donated securities	\$ -	\$ 2,619

The accompanying notes are an integral part of these financial statements.

EMERSON COLLEGE
Notes to Financial Statements
June 30, 2025 and 2024
(Dollars in thousands)

NOTE 1 - ORGANIZATION

Emerson College (the "College") is a private not-for-profit college located in the Midtown Cultural District of Boston, with approximately 4,100 undergraduate and 1,800 graduate students. Established in 1880 as a small, regional school of oratory, the College has evolved into a diverse, coeducational, and multifaceted degree-granting institution with a liberal arts orientation. The College is a four-year degree granting institution in the United States devoted exclusively to communication and the performing arts. The College is organized into two schools, each of which offers both undergraduate and graduate degree programs: the School of the Arts and the School of Communication. The College has an increasingly diverse and international student population and maintains campuses in Los Angeles, California and Kasteel Well, The Netherlands.

Acquisition of Marlboro College

During the fiscal year ended June 30, 2021, Emerson College completed an acquisition of Marlboro College. As of June 30, 2025 and 2024, \$200 and \$200, respectively, of net receivables remain uncollected. Contribution revenue associated with the non-exchange transaction is included in the non-operating section of the statement of activities for the year ended June 30, 2024.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the College as a whole. Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets without Donor Restrictions

Net assets not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Within this categorization, undesignated net assets are net assets not subject to board imposed stipulations, which the College may use at its discretion.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations include assets to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes. Also included are net assets whose use is restricted by state law or subject to donor-imposed stipulations that can be fulfilled by actions of the College pursuant to these stipulations or that expire by the passage of time. Within this categorization, time or purpose restricted net assets are net assets subject to donor imposed stipulations that may or will be met by actions of the College and/or the passage of time. Also within this categorization, donors of perpetually restricted net assets permit the College to use all or part of the income earned, and realized and unrealized gains, if any, on related investments for general or specific purposes.

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 stipulations or law. Expirations of temporary restrictions on net assets, that is, when the donor imposed stipulated

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Notes to Financial Statements
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(Dollars in thousands)

purpose has been accomplished and/or the stipulated time period has elapsed, are reported as net assets released from restrictions.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions and investment earnings subject to donor imposed stipulations that are met in the same reporting period are reported as revenue without donor restrictions. Promises to give that are scheduled to be received after the statement of financial position date are shown as increases in net assets with donor restrictions and are released to net assets without donor restrictions when the purpose and/or time restrictions are met. Promises to give subject to donor imposed stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. 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 adjusted interest rate applicable to the year(s) in which the promise is expected to be received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as revenue until such time as the conditions are substantially met.

The College receives sponsored support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the College's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue, which is recognized when any donor-imposed conditions (if any) have been met.

Contributions of assets other than cash are recorded at their estimated fair value at the date of receipt of the gift.

The College reports contributions of land, buildings, or equipment as operating revenue without donor restrictions unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long lived assets are reported as operating revenue without donor restrictions provided the long lived assets are placed in service in the same reporting period; otherwise, the contributions are reported within net assets with donor restrictions until the assets are acquired and placed in service.

Dividends, interest and net gains on investments are reported as follows:

- As increases in net assets with donor restrictions if the terms of the contribution require that they be added to the corpus of an endowment fund restricted in perpetuity, or if the terms of the contribution or relevant state law impose restrictions on the current use of the income or net gains; or
- As increases in net assets without donor restrictions in all other cases.

The College releases the restrictions on net assets with donor restrictions upon incurrence of an expense when both net assets with and without donor restrictions are available for that purpose.

Operating and Nonoperating Activities

The statements of activities report the change in net assets without donor restrictions from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's academic programs or research conducted by the academic departments. Other sources of revenue include rent revenue, underwriting income generated by WERS (the College's radio station), royalty revenues, and other income streams. Auxiliary enterprises include room and board revenue, as well as revenue generated by theater activities. Investment income (loss), as applicable, is reported in operating revenue and consists of interest, dividends, and realized/unrealized gains and losses. Income and gains on the College's investments over the amount appropriated under the College's spending plan (discussed in Note 7), and other activities not driven by College functions described above are reported as nonoperating. Additionally, contribution revenue related to the Marlboro College acquisition is reported as nonoperating revenue.

EMERSON COLLEGE
Notes to Financial Statements
June 30, 2025 and 2024
(Dollars in thousands)

Tuition and Fees Revenue

For both the campus and online programs, tuition revenue is recognized in the reporting period in which the academic programs are delivered. Campus-based programs are delivered in the Fall (September to December) and Spring (January to May) academic terms, as well as two summer terms described below. Online courses are generally delivered in seven-week intervals, with instruction periods typically beginning in September, October, January, March, May and June.

Need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Payments for tuition are due approximately one month prior to the start of the campus or online session.

The College offers two summer terms: Summer Session 1, which starts mid-May and ends around June 30, and Summer Session 2, which begins in July and ends in mid-August. Revenue for each is recognized ratably over the summer terms, with the unearned portion of tuition and fees recorded as deferred revenue at June 30.

First-year students secure their enrollment and housing in the campus-based programs by paying nonrefundable deposits by May 1 for the following Fall academic term. In 2024, the College extended the enrollment deposit deadline to June 1, in connection with delays resulting from the FASFA Simplification Act. In limited circumstances, students can defer enrollment and housing by one or two semesters without forfeiting their deposit. The deposits are applied against the charges for the academic and residential programs.

Auxiliary Enterprises Revenue

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary services revenue includes activities for student housing, food service, and theater operations. Payments for housing and dining services are due approximately one month prior to the start of the academic term. Housing and dining plans are not offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

Cash and Short-Term Investments

For purposes of the statements of cash flows, the College generally considers investments with maturities at date of purchase of three months or less and certain short-term investments classified as Level 1 investments in the fair value hierarchy as defined in Note 6 with maturities greater than three months to be cash equivalents. Cash and short-term investments representing endowment assets are included in the Investments caption in the statement of financial position. All are stated at cost, which approximates fair value.

The College's banking activity, including cash and short-term investments, is maintained at multiple large financial institutions and exceeds federal insurance limits. It is the College's practice to monitor the banks' financial strength on an ongoing basis.

Investments

The College's investments are reported at fair value. The values of publicly traded fixed income and equity securities are based on quoted daily market prices.

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Notes to Financial Statements
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(Dollars in thousands)

The College also holds shares or units in nonmarketable securities, including alternative investments. Such alternative investment funds may hold securities or other financial instruments for which a ready market exists and are priced accordingly. In addition, such funds may hold assets which require the estimation of fair values in the absence of readily determinable market values. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information. Because of the inherent uncertainty of valuations for these investments, the estimate of fair values may differ from the values that would have been used had ready markets existed.

Land, Buildings, and Equipment

Constructed and purchased property and equipment are carried at cost. Long lived fixed assets, with the exception of land, are depreciated using the straight line method over their estimated useful lives.

Student Deposits and Deferred Revenue

Student deposits, along with advance payments for tuition, room, and board related to the next semester, have been deferred and will be reported as revenue without donor restrictions as performance obligations are met.

Tenant Capital Improvements Liability

The tenant capital improvements liability represents the unamortized amount of capital improvement costs incurred by the College based on the terms of the contract. This liability is amortized based on the term of the lease in accordance with the contract.

Bond Premium/Discount and Debt Issuance Costs

Bond premium/discount and issuance costs, included in bonds payable, are amortized over the life of the associated bond issue.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates recorded in these financial statements include the valuation of certain investments, reserves for student, other and contributions receivable, the determination of the useful lives of buildings and equipment, self-insured medical claims, and allocated costs to functional expense categories as discussed in Note 13.

Income Taxes

The College is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The College is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Fundraising

Expenses associated with fundraising activities of the College were \$5,947 and \$5,929 during the fiscal years ended June 30, 2025 and 2024, respectively, and are presented in natural classification on the statement of activities and included in institutional support expense in Note 13.

EMERSON COLLEGE
Notes to Financial Statements
June 30, 2025 and 2024
(Dollars in thousands)

Leases

The College determines if an arrangement is a lease at inception. The College has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases are included in right-of-use ("ROU") assets, and the related lease obligations are reported as liabilities in the statement of financial position. The College has no finance lease arrangements. Costs related to leases spanning 12 months or less are expensed as incurred.

ROU assets represent the College's right to use an underlying asset for the lease term. Lease obligations represent the College's requirement to make lease payments arising from the lease. Operating lease ROU assets and related lease obligations are recognized at the commencement date based on the present value of lease payments over the lease term, discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Operating lease costs are recognized on a straight-line basis over the lease term. Rental income arising from operating leases as a lessor is included in other sources operating revenue in the statement of activities. Refer to Note 14 for further information regarding leases.

Reclassification

Certain amounts related to 2024 have been reclassified to conform to the 2025 presentation.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The College's financial assets available for use within one year of June 30 for general expenditure are as follows:

	<u>2025</u>	<u>2024</u>
Financial assets available within 12 months:		
Cash and short-term investments	\$ 111,992	\$ 120,662
Student accounts receivable, net	1,588	2,549
Grants and other accounts receivable, net	3,907	9,019
Contributions receivable to be collected within one year, net	900	732
Endowment income appropriated for upcoming fiscal year	<u>10,253</u>	<u>9,726</u>
	128,640	142,688
Liquidity resources:		
Lines of credit	<u>50,000</u>	<u>30,000</u>
Financial assets and liquidity resources available at year end for current use	<u><u>\$ 178,640</u></u>	<u><u>\$ 172,688</u></u>

As part of the College's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the College invests cash in excess of daily requirements in short-term investments. To help manage unanticipated liquidity needs, the College has a committed line of credit in the amount of \$50,000, which it could draw upon. No funds have been drawn on the lines of credit as of June 30, 2025 and 2024.

Additionally, the College has board-designated endowments of \$205,240 and \$188,226 as of June 30, 2025 and 2024, respectively. Although the College does not intend to spend from its board-designated endowment funds, other than amounts appropriated for general expenditure as part of its annual budget

EMERSON COLLEGE
Notes to Financial Statements
June 30, 2025 and 2024
(Dollars in thousands)

approval and appropriation process, amounts from its board-designated endowment could be made available if necessary, subject to liquidity provisions of underlying investments. Refer to Notes 6 and 7 for disclosures regarding the College's investments and spending policy.

NOTE 4 - STUDENT, CONTRIBUTIONS, AND OTHER RECEIVABLES

Accounts, contributions and other receivable consisted of the following as of June 30:

	2025	2024
Student accounts receivable	\$ 5,027	\$ 5,394
Less: allowance for doubtful accounts	<u>(3,439)</u>	<u>(2,845)</u>
Student accounts receivable, net	<u>1,588</u>	<u>2,549</u>
Other accounts receivable		
Grants and other accounts receivable	3,943	9,076
Less: allowance for doubtful accounts	<u>(36)</u>	<u>(57)</u>
Other accounts receivable, net	<u>3,907</u>	<u>9,019</u>
Contributions receivable		
Unconditional promises expected to be collected in:		
Less than one year	914	922
One to five years	1,175	669
Less: discount and allowance for uncollectible contributions	<u>(129)</u>	<u>(451)</u>
Contributions receivable, net	<u>1,960</u>	<u>1,140</u>
Student, other, and contributions receivable, net	<u><u>\$ 7,455</u></u>	<u><u>\$ 12,708</u></u>

For the years ended June 30, 2025, and 2024, contributions receivable have been discounted at a rate of 3.68% and 4.52%, respectively.

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Notes to Financial Statements
June 30, 2025 and 2024
(Dollars in thousands)

NOTE 5 - INVESTMENTS AND FAIR VALUE

The overall financial objective of the College is to maintain the real value of the endowment in perpetuity through a diversified, volatility managed portfolio, capable of supporting spending needs. The College diversifies its investments among various asset classes incorporating multiple strategies and managers. Major investment decisions are authorized by the Board's Investment Committee, which oversees the College's investment program in accordance with established guidelines.

In addition to traditional stocks and fixed income securities, the College may also hold shares or units in alternative investment funds involving hedged strategies, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The College's interests in alternative investment funds are generally reported at the net asset value ("NAV") reported by the fund managers, which is used as a practical expedient to estimate the fair value of the College's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2025 and 2024, the College had no plans or intentions to sell investments at amounts different from NAV.

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. Financial instruments that are measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - quoted prices in active markets for identical assets or liabilities that the College has the ability to access at measurement date;
- Level 2 - inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities; and
- Level 3 - inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker traded transactions. In addition, Level 3 valuations incorporate assumptions that are not observable in the market, and significant judgment in determining the fair value assigned to such assets or liabilities.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

For the years ended June 30, 2025 and 2024, the College did not hold any Level 2 or Level 3 financial assets or liabilities.

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The following tables summarize the College's investments by major category in the fair value hierarchy as of June 30:

	2025				
	Total	Level 1	Assets Valued at NAV	Assets Valued at NAV	
				Redemption Frequency	Days Notice
Investment Strategy					
Domestic equity	\$ 90,492	\$ 90,492	\$ -	Daily	1
International equity	97,442	60,525	36,917	Daily / Monthly	1 - 5
Flexible capital multiple strategies	30,104	-	30,104	Quarterly / Annually/ Semi Liquid	90
Real assets	26,081	-	26,081	Daily / Illiquid	1
Private equity	18,193	-	18,193	Illiquid	N/A
Fixed income	29,378	29,378	-		
Cash and cash equivalents	2,080	2,080	-		
Total long-term investments	<u>\$ 293,770</u>	<u>\$ 182,475</u>	<u>\$ 111,295</u>		

	2024				
	Total	Level 1	Assets Valued at NAV	Assets Valued at NAV	
				Redemption Frequency	Days Notice
Investment Strategy					
Domestic equity	\$ 90,457	\$ 90,457	\$ -	Daily	1
International equity	80,759	53,264	27,495	Daily/ Monthly / Annually	1 - 120
Flexible capital multiple strategies	41,066	3,747	37,319	Daily / Quarterly/ Annually / Illiquid	1 - 90
Real assets	12,610	-	12,610	Daily / Illiquid	1
Private equity	16,504	-	16,504	Illiquid	N/A
Fixed income	23,161	23,161	-		
Cash and cash equivalents	848	848	-		
Total long-term investments	<u>\$ 265,405</u>	<u>\$ 171,477</u>	<u>\$ 93,928</u>		

At June 30, 2025 and 2024, the College had unfunded investment commitments of \$23,720 and \$13,512, respectively.

The following summarizes the total investment activity from all sources for the years ended June 30:

	2025	2024
Investment return		
Interest and dividends, net of fees	\$ 2,950	\$ 3,095
Other investment income	8,531	7,487
Net realized and unrealized gains	<u>30,670</u>	<u>29,304</u>
Total investment return	42,151	39,886
Long-term investment income available for operations	<u>(9,726)</u>	<u>(9,160)</u>
Total investment return, less amounts available for operations	<u>\$ 32,425</u>	<u>\$ 30,726</u>

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NOTE 6 - ENDOWMENT

The College's endowment consists of approximately 203 individual funds established for a variety of purposes including both donor restricted endowment funds and funds designated by the Board of Trustees (the "Board") to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions. At its discretion, the Board of Trustees may designate certain institutional funds to be moved into the endowment with spending policy amounts for Board-specified purposes.

Relevant Law

Under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted in the Commonwealth of Massachusetts, the board has discretion to determine appropriate expenditures of a donor restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes and duration for which the endowment fund is established. Certain criteria are to be used to guide the College in its yearly expenditure decisions as follows:

- 1) The duration and preservation of the endowment fund
- 2) The purposes of the College and the endowment fund
- 3) General economic conditions
- 4) The effect of inflation or deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the College
- 7) The investment policy of the College

Although UPMIFA offers short term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic-dollar value. There is an expectation that, over time, the permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently restricted funds are those that must be held in perpetuity even though the historic dollar value may be used on a temporary basis.

The College classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. Collectively, these amounts are referred to as the historic-dollar value of the fund.

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Endowment net asset composition, which excludes pledges, by type of fund consists of the following at June 30:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 87,754	\$ 87,754
Board-designated endowment funds	205,240	-	205,240
Total endowed net assets	<u>\$ 205,240</u>	<u>\$ 87,754</u>	<u>\$ 292,994</u>

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 76,522	\$ 76,522
Board-designated endowment funds	188,226	-	188,226
Total endowed net assets	<u>\$ 188,226</u>	<u>\$ 76,522</u>	<u>\$ 264,748</u>

Changes in endowment net assets for the year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2024	\$ 188,226	\$ 76,522	\$ 264,748
Investment return, net of fees	23,789	9,831	33,620
Contributions	-	4,352	4,352
Appropriation of endowment earnings for expenditure	(6,775)	(2,951)	(9,726)
Endowment net assets, June 30, 2025	<u>\$ 205,240</u>	<u>\$ 87,754</u>	<u>\$ 292,994</u>

Changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2023	\$ 171,851	\$ 68,874	\$ 240,725
Investment return, net of fees	22,840	9,559	32,399
Contributions	-	784	784
Appropriation of endowment earnings for expenditure	(6,465)	(2,695)	(9,160)
Endowment net assets, June 30, 2024	<u>\$ 188,226</u>	<u>\$ 76,522</u>	<u>\$ 264,748</u>

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Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the College must hold in perpetuity or for a donor specified period as well as board designated funds. The primary investment objective of the management of the endowment fund is to maintain and grow the fund's real value by generating average annual real returns that meet or exceed the spending rate, after inflation, management fees and administrative costs. Consistent with this goal, the Board and the Finance Committee intend that the endowment fund be managed with an intention to maximize total returns consistent with prudent levels of risk, reduce portfolio risk through asset allocation and diversification, and outperform each of the capital markets in which assets are invested, measured over five years or a complete market cycle, whichever is longer.

Strategies Employed for Achieving Objectives

To satisfy its long term rate of return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Investment Committee is responsible for establishing an asset allocation policy. The asset allocation policy is designed to attempt to achieve diversity among capital markets and within capital markets, by investment discipline and management style. The Investment Committee designs a policy portfolio in light of the endowment's needs for liquidity, preservation of purchasing power and risk tolerances. There is no limitation on the types of investments in which the endowment fund may be invested, and it is intended that the Board and the Investment Committee have the broadest flexibility as to the selection of investments for the endowment fund.

The College targets a diversified asset allocation that places emphasis on investments in equities and fixed income securities that conform to the College's ethical and social justice guidelines. The asset allocation on a fully invested target is 35% domestic equity, 15% developed international equity, 5% emerging markets equity, 10% private investments, 15% marketable alternative investments, 15% fixed income, and 5% real assets. The Investment Committee formally reviews the policy portfolio's asset allocation at least once a year for possible rebalancing.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Under the College's investment spending policy, the spending rate is 3% of the average market value of the qualifying endowment investment pool at the end of the previous five calendar years and may be increased up to 5% at the Board of Trustees' discretion. This policy is within the guidelines specified under state law. For the years ended June 30, 2025 and 2024, the total amount spent was \$9,726 and \$9,160, respectively, based on 4% approved rates.

In establishing these policies, the College considered the intent of the donor-restricted endowment, the expected return on its endowment and its programming needs. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return or other additions.

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NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT

The following is a summary of the College's land, buildings, and equipment as of June 30:

	Estimated Useful Lives	2025	2024
Land	N/A	\$ 76,067	\$ 76,067
Buildings and improvements	7 - 55 years	958,916	947,251
Furnishings and equipment	3 - 10 years	46,296	43,228
Construction in progress	N/A	4,669	5,598
		1,085,948	1,072,144
Less: accumulated depreciation		(366,409)	(344,876)
Land, buildings, and equipment, net		\$ 719,539	\$ 727,268

Depreciation expense was \$21,533 and \$20,975 for the years ended June 30, 2025 and 2024, respectively. No interest was capitalized during the years ended June 30, 2025 and 2024.

NOTE8 – STUDENT DEPOSITS AND DEFERRED REVENUES

As outlined in Note 2, the activity and balances for deposits and deferred revenue from contracts with customers are shown in the following table:

	Tuition and Deposits	Sponsored Research	Auxiliary and Other	Total
Balance at June 30, 2023	\$ 13,582	\$ 194	\$ 5,216	\$ 18,992
Revenue recognized	(13,582)	(89)	(1,956)	(15,627)
Payments received for future performance obligations	7,974	69	1,186	9,229
Balance at June 30, 2024	7,974	174	4,446	12,594
Revenue recognized	(7,974)	(159)	(1,760)	(9,893)
Payments received for future performance obligations	12,910	285	871	14,066
Balance at June 30, 2025	\$ 12,910	\$ 300	\$ 3,557	\$ 16,767

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NOTE 9 - BONDS PAYABLE

Bonds payable consisted of the following as of June 30:

Creditor/Issue	Security/ Collateral	Interest Rate(s)	2025	2024
Massachusetts Development				
Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College Issue Series 2015, due through January 1, 2045	General Obligation	4.50% - 5.00%	\$ 10,915	\$ 107,830
Massachusetts Development				
Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College Issue Series 2016A, due through January 1, 2047	General Obligation	5.00% - 5.25%	186,535	187,060
Massachusetts Development				
Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College Issue Series 2017A, due through January 1, 2040	General Obligation	5.00%	88,860	92,785
California Municipal				
Finance Authority, Higher Education Refunding Revenue Bonds, College Issue Series 2017B, due through January 1, 2042	General Obligation	5.00%	51,035	52,915
Massachusetts Development				
Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College Issue Series 2018, due through January 1, 2040	General Obligation	5.00%	20,925	21,405
Massachusetts Development				
Finance Agency, Higher Education Refunding Revenue Bonds, Emerson College Issue Series 2025, due through January 1, 2045	General Obligation	5.00% - 5.25%	87,665	-
			445,935	461,995
Bond premium, discount, and issuance costs, net			29,231	31,701
Bonds payable, net			<u>\$ 475,166</u>	<u>\$ 493,696</u>

Scheduled maturities for years ending June 30 are as follows:

2026	\$ 12,390
2027	12,160
2028	12,770
2029	13,405
2030	14,075
Thereafter	381,135
	<u>\$ 445,935</u>

On January 23, 2025, the College issued \$87,665 par value, 20 year, 5.00% - 5.25% coupon tax exempt bonds, resulting in \$93,218 proceeds. The proceeds from the Series 2025 issuance were used to repay \$92,025 of the principal balance of the Series 2015 bonds, which was originally used for capital purposes. The repayment resulted in a net realized gain of \$5,457, which is included in nonoperating activities on the statement of activities.

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The College's bond agreements contain a covenant requiring the maintenance of a specific liquidity ratio. The College was in compliance with this covenant as of June 30, 2025 and 2024.

At June 30, 2025 and 2024, the College had available line of credit in the amount of \$50,000 and \$30,000, respectively. At June 30, 2025 and 2024, there were no outstanding balances on these facilities. No interest expense was incurred related to the line of credit for the years ended June 30, 2025 or 2024. Line of credit is unsecured with variable interest rates.

NOTE 10 - NET ASSETS

Net assets without donor restrictions consisted of the following as of June 30:

	2025	2024
Board-designated endowment funds	\$ 205,240	\$ 188,226
Net investment in plant	244,373	233,572
Undesignated	57,465	75,986
Total net assets without donor restriction	<u>\$ 507,078</u>	<u>\$ 497,784</u>

Net assets with donor restrictions consisted of the following as of June 30:

	2025		
	Time or Purpose Restricted	Perpetually Restricted	Total
Contributions receivable	\$ 483	\$ 1,477	\$ 1,960
Purpose restrictions			
Instruction	1,990	14,975	16,965
Academic support	1,750	4,930	6,680
Student aid	4,261	23,195	27,456
General institutional and other	5,876	9,996	15,872
Unappropriated investment gain	29,942	-	29,942
Total net assets with donor restriction	<u>\$ 44,302</u>	<u>\$ 54,573</u>	<u>\$ 98,875</u>

	2024		
	Time or Purpose Restricted	Perpetually Restricted	Total
Contributions receivable	\$ 991	\$ 454	\$ 1,445
Purpose restrictions			
Instruction	1,604	14,875	16,479
Academic support	1,787	2,639	4,426
Student aid	3,867	22,132	25,999
General institutional and other	5,753	9,079	14,832
Unappropriated investment gain	23,062	-	23,062
Total net assets with donor restriction	<u>\$ 37,064</u>	<u>\$ 49,179</u>	<u>\$ 86,243</u>

EMERSON COLLEGE
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NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors including amounts appropriated in accordance with the College's spending policy were as follows for the years ended June 30:

	2025	2024
Time and purpose restrictions		
Instruction	\$ 28	\$ 162
Academic support	169	114
Student aid	456	443
General institutional and other	1,023	2,083
	<u>1,676</u>	<u>2,802</u>
Total net assets released from restriction	<u>\$ 1,676</u>	<u>\$ 2,802</u>

NOTE 12 - FUNCTIONAL AND NATURAL CLASSIFICATION OF EXPENSES

Expenses are presented by natural classification on the statements of activities. Functional classification includes all expenses related to the underlying operations by natural classification. The costs of operations and maintenance of plant, depreciation, and interest expense have been allocated across the functional expense categories based on percentage of square footage to reflect the full cost of those activities. All other expenses are directly attributed to the respective functional category.

The following summarizes the allocation of functional expenses as of June 30:

2025								
	Instruction	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Operations and Maintenance of Plant	Total
Compensation	\$ 45,274	\$ 14,964	\$ 18,055	\$ 20,090	\$ 455	\$ 5,599	\$ 2,787	\$ 107,224
Fringe benefits	11,492	3,712	5,152	6,750	104	1,488	844	29,542
Supplies, services, and other general costs	5,274	6,341	6,949	23,910	491	21,380	10,825	75,170
Operations and maintenance of plant	4,239	2,388	1,905	1,261	-	17,036	(26,829)	-
Depreciation	3,402	1,916	1,529	1,012	-	13,674	-	21,533
Interest	3,392	1,911	1,524	1,010	-	13,633	-	21,470
Utilities and occupancy	214	5	23	459	-	207	12,373	13,281
	<u>\$ 73,287</u>	<u>\$ 31,237</u>	<u>\$ 35,137</u>	<u>\$ 54,492</u>	<u>\$ 1,050</u>	<u>\$ 73,017</u>	<u>\$ -</u>	<u>\$ 268,220</u>
2024								
	Instruction	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Operations and Maintenance of Plant	Total
Compensation	\$ 45,179	\$ 14,044	\$ 17,157	\$ 19,200	\$ 441	\$ 5,876	\$ 2,627	\$ 104,524
Fringe benefits	11,175	3,601	5,103	9,300	111	1,629	808	31,727
Supplies, services, and other general costs	4,799	6,877	6,846	25,108	348	21,522	11,155	76,655
Operations and maintenance of plant	3,999	2,366	1,878	1,181	-	16,370	(25,794)	-
Depreciation	3,253	1,924	1,527	960	-	13,311	-	20,975
Interest	3,367	1,992	1,581	994	-	13,780	-	21,714
Utilities and occupancy	221	67	29	516	-	133	11,204	12,170
	<u>\$ 71,993</u>	<u>\$ 30,871</u>	<u>\$ 34,121</u>	<u>\$ 57,259</u>	<u>\$ 900</u>	<u>\$ 72,621</u>	<u>\$ -</u>	<u>\$ 267,765</u>

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Expenses are categorized on a functional-expense basis as follows:

Instruction activities include expenses for all activities that are part of the College's instructional program such as expenses for academic, vocational, and technical instruction; remedial and tutorial instruction; regular, special, and extension sessions.

Academic support activities include administrative support services specifically dedicated to the College's academic mission.

Student services are considered programmatic and include activities that, as their primary purpose, contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This category also includes expenses incurred for offices of admissions, student financial services, the registrar, and athletics.

Institutional support activities include centralized expenses incurred to provide support services for the College's primary mission and program functions. This category includes the College's fundraising activities as well as executive management, fiscal operations, general administration and central technology.

Research includes all expenses for activities specifically organized to produce research, whether commissioned by an agency external to the College or separately budgeted by an organizational unit within the College.

Auxiliary enterprises include all expenses relating to the operation of the College's auxiliary activities such as housing, food service, theater operations, and so forth.

Operations and maintenance of plant expenses include utilities, maintenance, and other expenses incurred by the College to maintain the buildings and physical space around campus. These costs are allocated to the other functional expense classifications based on the percentage of square footage used.

NOTE 13 - LEASE OBLIGATIONS

The College has entered into a number of operating leases, primarily for office space. Total lease expense for the years ended June 30, 2024 and 2025 amounted to \$3,976 and \$3,909, respectively.

The College's future lease obligations as of June 30, 2025 are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2026	\$ 3,402
2027	3,037
2028	2,876
2029	2,816
2030	2,849
Thereafter	10,472
Less: amounts representing interest	<u>(4,463)</u>
	<u><u>\$ 20,989</u></u>

The weighted-average remaining lease term for the College's operating leases was 4.3 years and 4.7 years as of June 30, 2025 and June 30, 2024, respectively. The weighted average discount rate used to calculate the lease obligation was 4.25% at both June 30, 2025 and June 30, 2024. Cash payments under operating lease arrangements for the years ended June 30, 2025 and 2024 were \$3,439 and \$3,128, respectively.

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NOTE 14 - RETIREMENT PLAN

For the years ended June 30, 2025 and 2024, the College had contributory retirement plans with Transamerica Corporation which covers all full time employees. The College makes regular contributions to these plans which are immediately vested for the benefit of the participants. The College's contributions under these plans were \$7,111 and \$6,543 for the years ended June 30, 2025 and 2024, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

The College is subject to certain legal proceedings and claims that arise in the normal course of operations. In the opinion of management, the outcome of these actions will not have a material effect on the College's financial position.

NOTE 16 - SUBSEQUENT EVENTS

For purposes of determining the effects of subsequent events on these financial statements, management has evaluated events subsequent to June 30, 2025 and through October 24, 2025, the date on which the financial statements were issued.