

AMERICAN INTERNATIONAL COLLEGE
Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)
With Independent Auditor's Reports

American International College
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June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
American International College:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of American International College (a Massachusetts not-for-profit organization) (the "College"), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

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 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Consolidated Information

We have previously audited the College's June 30, 2023, financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial responsibility supplemental schedule and disclosures on pages 25-26 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2024, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

November 27, 2024

American International College
Statement of Financial Position
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Assets		
Cash and equivalents	\$ 8,725,300	\$ 11,788,256
Accounts receivable, net of credit losses of \$1,070,348 and \$974,915, respectively	2,747,258	2,226,458
Pledges receivable, net	448,046	165,588
Investments	28,807,550	31,065,137
Prepaid expenses and other assets	1,602,530	1,150,911
Accounts receivable - Employee Retention Credit	4,064,280	4,064,280
Investments held in trust by others	897,356	829,998
Property and equipment, net	47,595,710	42,061,366
Beneficial interest in third-party trusts	<u>604,928</u>	<u>900,000</u>
 Total assets	 <u>\$ 95,492,958</u>	 <u>\$ 94,251,994</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 5,388,998	\$ 2,677,317
Accrued expenses	1,580,340	1,948,276
Deferred revenues and student deposits	1,636,055	1,985,069
Line of credit	8,000,000	8,000,000
Debt, net	14,992,247	16,796,807
Accrued pension obligations	572,477	930,514
Asset retirement obligations	<u>1,810,663</u>	<u>1,810,663</u>
Total liabilities	<u>33,980,780</u>	<u>34,148,646</u>
Net assets		
Without donor restrictions	39,313,322	40,530,712
With donor restrictions	<u>22,198,856</u>	<u>19,572,636</u>
Total net assets	<u>61,512,178</u>	<u>60,103,348</u>
 Total liabilities and net assets	 <u>\$ 95,492,958</u>	 <u>\$ 94,251,994</u>

The Notes to Financial Statements are an integral part of these statements.

American International College
Statement of Activities and Changes in Net Assets
Year Ended June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

	2024		2023	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating activities				
Revenues				
Tuition and fees	\$ 56,130,495	\$ -	\$ 56,130,495	\$ 57,951,269
Residence and dining	11,734,723	-	11,734,723	11,068,623
Less: Scholarships and awards	<u>(33,744,284)</u>	<u>-</u>	<u>(33,744,284)</u>	<u>(32,214,978)</u>
Net tuition, fees, residence, and dining	34,120,934	-	34,120,934	36,804,914
Private contributions and grants of financial assets	955,869	1,413,023	2,368,892	2,296,983
Federal and state grants	1,885,612	-	1,885,612	4,780,292
Auxiliary enterprises	19,536	-	19,536	68,908
Other income	9,176,029	-	9,176,029	5,748,204
Net transfer of funds to operations	6,200,000	-	6,200,000	-
Net assets released from restrictions	<u>1,359,852</u>	<u>(1,359,852)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>53,717,832</u>	<u>53,171</u>	<u>53,771,003</u>	<u>49,699,301</u>
Program expenses				
Instruction	13,119,873	-	13,119,873	13,174,723
Student services	14,596,759	-	14,596,759	14,878,003
Library	963,407	-	963,407	993,348
Auxiliary enterprises	<u>2,531,683</u>	<u>-</u>	<u>2,531,683</u>	<u>2,787,779</u>
Total program expenses	<u>31,211,722</u>	<u>-</u>	<u>31,211,722</u>	<u>31,833,853</u>
Supporting service expenses				
Management and general	18,419,270	-	18,419,270	17,364,247
Fundraising	<u>784,102</u>	<u>-</u>	<u>784,102</u>	<u>885,860</u>
Total supporting service expenses	<u>19,203,372</u>	<u>-</u>	<u>19,203,372</u>	<u>18,250,107</u>
Total operating expenses	<u>50,415,094</u>	<u>-</u>	<u>50,415,094</u>	<u>50,083,960</u>
Change in net assets from operations	<u>3,302,738</u>	<u>53,171</u>	<u>3,355,909</u>	<u>(384,659)</u>
Nonoperating activities				
Investment return	1,499,108	2,800,763	4,299,871	2,622,917
Change in split interest agreements	-	67,358	67,358	48,784
Change in pension valuation	180,764	-	180,764	(161,609)
Loss on beneficial interest in third-party trusts	-	(295,072)	(295,072)	-
Net transfer of funds to operations	<u>(6,200,000)</u>	<u>-</u>	<u>(6,200,000)</u>	<u>-</u>
Change in net assets from nonoperating activities	<u>(4,520,128)</u>	<u>2,573,049</u>	<u>(1,947,079)</u>	<u>2,510,092</u>
Changes in net assets	(1,217,390)	2,626,220	1,408,830	2,125,433
Net assets				
Beginning of year	<u>40,530,712</u>	<u>19,572,636</u>	<u>60,103,348</u>	<u>57,977,915</u>

The Notes to Financial Statements are an integral part of these statements.

American International College
Statement of Functional Expenses
Year Ended June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

Expenses	2024							2023
	Program Expenses				Supporting Service Expenses			Total
	Instruction	Student Services	Library	Auxiliary Enterprises	Management and General	Fundraising	Total	
Salaries and wages	\$ 9,104,946	\$ 4,787,434	\$ 352,311	\$ 545,749	\$ 3,938,145	\$ 383,525	\$ 19,112,110	\$ 19,865,443
Occupancy	235,670	180,446	70,087	653,027	3,975,233	14,453	5,128,916	5,414,258
Dining and catering	26,033	4,309,846	-	6,393	100,891	4,456	4,447,619	4,509,677
Depreciation and amortization	519,686	776,716	129,545	1,021,405	827,375	12,225	3,286,952	3,344,638
Employee benefits	1,070,264	589,281	43,162	60,021	660,319	47,942	2,470,989	2,860,011
Student aid expense	-	-	-	-	-	-	-	843,091
Consulting	170,380	22,300	-	-	2,706,360	32,412	2,931,452	1,821,896
Athletics	-	1,896,113	-	-	-	-	1,896,113	1,951,567
Payroll taxes	655,425	319,067	21,384	22,877	240,522	27,472	1,286,747	1,363,481
Miscellaneous	93,590	-	-	9,156	1,176,125	103,863	1,382,734	1,368,494
Maintenance	-	-	-	-	1,961,771	21,825	1,983,596	1,026,122
Bad debts	-	-	-	-	1,008,763	20,000	1,028,763	1,091,621
Dues and subscriptions	123,398	128,794	345,698	8,549	145,021	41,798	793,258	655,256
Interest	197,049	88,086	-	137,105	121,165	-	543,405	532,639
Insurance	-	6,713	-	-	765,092	-	771,805	694,438
Travel	6,433	491,079	-	-	13,533	17,612	528,657	503,303
Advertising and promotion	-	-	-	-	314,065	-	314,065	440,529
Office	112,497	73,013	711	48,843	120,172	51,303	406,539	402,287
Professional fees	-	-	-	-	281,481	-	281,481	235,865
Transportation services	-	343,432	-	-	-	-	343,432	353,710
Supplies and equipment	60,844	391,391	-	-	8,187	-	460,422	323,424
Lease	-	173,764	-	-	-	-	173,764	238,980
Information technology	18,202	-	-	-	49,686	4,279	72,167	102,020
Other fees	127,929	-	-	14,962	-	-	142,891	45,754
Commissions	558,166	-	-	-	-	-	558,166	-
Training	39,361	19,284	509	3,596	5,364	937	69,051	95,456
	<u>\$ 13,119,873</u>	<u>\$ 14,596,759</u>	<u>\$ 963,407</u>	<u>\$ 2,531,683</u>	<u>\$ 18,419,270</u>	<u>\$ 784,102</u>	<u>\$ 50,415,094</u>	<u>\$ 50,083,960</u>

The Notes to Financial Statements are an integral part of these statements.

American International College
Statement of Cash Flows
Year Ended June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

	<u>2024</u>	<u>2023</u>
Operating activities		
Changes in net assets	\$ 1,408,830	\$ 2,125,433
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,286,952	3,344,638
Bond issue cost	-	10,351
Bad debts	1,028,763	1,091,621
Unrealized investment gains	(3,363,962)	(1,913,649)
Loss on disposal of property and equipment	43,898	-
Change in investments held in trust by others	(67,358)	(48,784)
Change in pension valuation	(358,037)	161,609
Changes in assets and liabilities:		
Accounts receivable	(1,549,563)	(826,547)
Pledges receivable	(282,458)	89,090
Prepaid expenses and other assets	(451,619)	320,172
Accounts receivable - Employee Retention Credit	-	(4,064,280)
Change in interest of third-party trusts	295,072	(900,000)
Accounts payable and accrued expenses	2,343,745	(819,197)
Deferred revenues and student deposits	(349,014)	895,626
Accrued pension obligations	-	-
Net adjustments	<u>576,419</u>	<u>(2,659,350)</u>
Net cash provided by (used in) operating activities	<u>1,985,249</u>	<u>(533,917)</u>
Investing activities		
Proceeds from sales of investments	10,199,900	3,439,448
Purchases of investments	(4,578,351)	(4,003,802)
Purchase of property and equipment	<u>(8,865,194)</u>	<u>(1,403,262)</u>
Net cash (used in) to investing activities	<u>(3,243,645)</u>	<u>(1,967,616)</u>
Financing activities		
Proceeds from issuance of debt	-	2,500,000
Principal payments on debt	<u>(1,804,560)</u>	<u>(2,000,424)</u>
Net cash (used in) provided by financing activities	<u>(1,804,560)</u>	<u>499,576</u>
Net change in cash and equivalents	(3,062,956)	(2,001,957)
Cash and equivalents		
Beginning of year	<u>11,788,256</u>	<u>13,790,213</u>
End of year	<u>\$ 8,725,300</u>	<u>\$ 11,788,256</u>

The Notes to Financial Statements are an integral part of these statements.

American International College
Notes to Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

1. ORGANIZATION

American International College (the “College”), located in Springfield, Massachusetts, is an independent, not-for-profit, coeducational institution that is accredited by the New England Commission of Higher Education. The College’s mission is to prepare students for personal fulfillment, professional achievement, and civic engagement through educational experiences that transform lives.

The College participates in federal student financial aid programs sponsored by the U.S. Department of Education, which facilitates the payment of tuition and other expenses for students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared utilizing the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, which require the College to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expensed for any purpose in performing the objectives of the College. These net assets may be used at the discretion of the College's management and the Board of Trustees (the “Board”). Net assets without donor restrictions also include investment in plant, net of accumulated depreciation and related bond obligations.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some restrictions are temporary in nature; those restrictions will be met by actions of the College or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The statement of activities and changes in net assets report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the College's ongoing purpose and the return earned on investments and transfers from Board-designated funds and other nonoperating funds to support current operating activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of accounts receivable, pledges receivable, accrued pension obligation, and asset retirement obligations, as well as estimating depreciation.

Cash and Equivalents

Cash and equivalents include bank deposits and money market funds, as well as highly liquid debt instruments with original maturities of three months or less. Cash and equivalents held by the College’s investment managers are considered investments.

American International College
Notes to Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

Allowance for Credit Losses

Accounts and notes receivable are recorded at amounts that the College expects to realize.

Provisions for losses on receivables are determined on the basis of loss experience, known and inherent risks, and current economic conditions. As of June 30, 2024 and 2023, management has established a provision for credit losses of \$1,070,348 and \$974,915, respectively.

Changes in the allowance for credit losses for the year ended June 30, 2024, were as follows:

Balance, beginning of the period	\$	974,915
Impact of the adoption of the new credit loss standard		-
Provisions		95,433
Write-offs, net of recoveries		<u>-</u>
Balance, end of the period	\$	<u>1,070,348</u>

Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act provides for the College to claim a credit against the employer portion of federal payroll taxes based upon certain criteria being met. Management believes that the College has met the criteria at June 30, 2024. As of June 30, 2024, there is a receivable balance of \$4,064,280. The credit is recognized as accounts receivable – Employee Retention Credit on the statement of financial position. The credit is open to review by the Internal Revenue Service.

Investments

Investments are initially reported at cost, if purchased, or at fair value, if donated. Therefore, investments are reported at their fair values in the statement of financial position, and changes in fair value are reported as investment return in the statement of activities and changes in net assets.

Purchases and sales of securities are reflected on a trade-date basis. Gains and losses on sales of securities are based on average cost and are recorded in the statement of activities and changes in net assets in the period in which the securities are sold. Interest is recorded when earned. Dividends are accrued as of the ex-dividend date.

Investments Held in Trust by Others

The College is named as the beneficiary of several charitable remainder trusts, all of which are administered by third parties. Investments held in trust by others represent the fair market value of the College's right to split interest agreements. The trusts are reported in net assets with donor restrictions at the present value of the estimated future benefit to be received when the assets are distributed. Investments consist primarily of corporate equities and fixed income instruments. When investment vehicles are directed or restricted by the donor(s), the College is not involved in the investment choices, and thus gains or losses, whether realized or unrealized, incurred on these investments are applied to the applicable donor-restricted net assets classification.

American International College
Notes to Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term. The useful lives range from 3 to 75 years. The College's policy is to capitalize property and equipment acquired and expense normal repairs and maintenance as incurred. The College's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may be not recovered.

Leases

The College categorizes leases with contractual terms longer than 12 months as either operating or finance. Finance leases are generally those leases that allow the College to substantially utilize or pay for the entire asset over its estimated life. All other leases are categorized as operating leases. Leases with contractual terms of 12 months or less are not recorded on the statement of financial position. The College had no finance or operating leases with contractual terms longer than 12 months during 2024 and 2023.

Options to extend lease terms, terminate leases before the contractual expiration date, or purchase the leased assets are evaluated for their likelihood of exercise. If it is reasonably certain that the option will be exercised, the option is considered in determining the classification and measurement of the lease.

Deferred Revenues and Student Deposits

Deferred revenues represent unearned income related to academic courses and programs that transcend the fiscal year end. Student deposits are required payments by students who will be attending the College in the next academic year and are recognized ratably as revenues upon the students' matriculation.

Compensated Absences

Employees earn the right to be compensated during absences for sick and vacation time. Accrued sick and vacation time is the amount earned by all eligible employees through the conclusion of the reporting period. The College's policy is to expense compensated absences when earned.

Revenue Recognition and Operations

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. The College derives revenues primarily through tuition, fees, and auxiliary services, all of which are under arrangements that are aligned to an academic semester, which is less than one year in length.

Tuition, fees, and auxiliary enterprise revenues are recorded at established rates, net of institutional awards provided directly to students. Net transaction price is fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied, which is generally over time as services are rendered, whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing of satisfaction of its performance obligations or amounts allocated to those obligations. Discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic or auxiliary activity.

American International College
Notes to Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

Students are billed based on dates outlined in the academic catalog as agreed in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees, and auxiliary enterprise charges are generally due by the start of the academic period with the recognition that on-behalf payments being made by the College or others are subject to specific requirements within those programs as to when those funds are available. Students may withdraw from programs of study within certain time limits under the College's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund near the start of classes, declining to no refund shortly after the start of classes. Given the normal timing of the College's programs, the exposure to such is limited at year-end.

Expenses are reported as decreases in net assets without donor restrictions. Realized and unrealized gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor-imposed restrictions on net assets, such as the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets. The statement of activities and change in net assets report the changes in net assets without donor restrictions from operating and nonoperating activities. Operating revenues consist of those items attributable to the College's academic programs and auxiliary enterprises. This includes investment return appropriated for operations under the spending policy adopted by the Board. All other amounts are considered nonoperating.

Contributions, including unconditional promises to give, are initially recorded as revenue at fair value when verifiably committed. Unconditional promises to give that will be paid by the donor's estate are recorded when verifiably committed and are discounted using the remaining life expectancy of the donor.

Conditional contributions and intentions to give are recorded as revenues when the conditions have been met. Pledge intentions are not recorded as revenues or as assets. Contributions are reflected in net assets without donor restrictions or in net assets with donor restrictions based on the existence or absence of donor restrictions. Amounts received with donor-imposed restrictions that are recorded as revenues in net assets with donor restrictions are reclassified to net assets without donor restrictions when the time or purpose restriction has been satisfied. The College had no conditional contributions at June 30, 2024 and 2023.

The College reports gifts of property, plant, and equipment as revenues without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as revenues with donor restrictions. The College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contract receivables consist of student accounts receivable. The balance of student accounts receivable at June 30, 2024, 2023, 2022, was \$2,193,721, \$1,808,110, and \$2,264,743, respectively. Contract liabilities consist of deferred revenues. The balance of deferred revenues at June 30, 2024, 2023, and 2022, was \$1,636,055, \$1,985,069, and \$1,089,443, respectively.

Advertising and Promotion

The College charges the cost of advertising and promotion to expense as incurred.

Functional Allocation of Expenses

Expenses are categorized by program expenses, management and general, or fundraising on a direct identification basis, where practical, and on a percentage allocation basis based on management's judgement. A variety of cost allocation techniques is used such as time and effort and square footage.

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Fair Value Measurements

Promulgations of the Financial Accounting Standards Board (“FASB”) have established a framework for measuring fair value, which provides a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

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

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Management establishes the fair value measurement valuation policies for the valuation of all investments and assets held in trust by others. Annually, at a minimum, management reviews the continuing viability of the valuation techniques used to establish fair value measurements and evaluates and adjusts, as necessary, the unobservable inputs used in the fair value measurements based on current market conditions and other third-party information.

Endowment Funds

Massachusetts law requires not-for-profit organizations and other entities that receive donor contributions to operate in conformity with its enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”). In the absence of overriding explicit donor stipulations, UPMIFA prescribes guidelines for expenditures of donor-restricted funds and focuses on the prudent spending of the entire donor-restricted fund, including accumulated earnings, rather than the historical dollar concept. UPMIFA’s requirement that amounts may be appropriated for expenditure only after careful consideration of the seven factors outlined in its spending guidelines is bolstered by its intent to have the governing board of the organization make its decisions in light of the donor’s intended purpose of the endowment fund, stipulated or otherwise.

UPMIFA requires donor-restricted funds to be classified in accordance with their restrictions. Gains on endowment funds and other amounts permitted to be disbursed in accordance with the donors’ stipulations must be classified as net assets with donor restrictions until approved for expenditure by the organization. Earnings on endowment funds that have not yet been specifically approved for expenditure, but will be, must be classified as net assets with donor restrictions until approved for expenditure by the organization.

The College’s endowment funds are primarily for the awarding of scholarships. The goal of the College’s endowment spending and distribution policy is to preserve the purchasing power of the endowment and provide predictable support of operations and scholarships.

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From time to time, the fair values of endowment fund assets may, due to unfavorable market fluctuations, fall below the level that donors require to be retained for a perpetual duration. The decline below the required perpetual duration, commonly referred to as “underwater,” is reported as losses within net assets with donor restrictions. The Board has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2024 and 2023, the College did not have endowment funds below the amount of the donor-required levels.

Income Taxes

The College has been notified by the Internal Revenue Service that it meets the qualifications to be classified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. As a not-for-profit entity exempt from income taxes, the College may, however, be subject to tax on unrelated business income. Accounting principles generally accepted in the United States of America require an entity to assess the probability that a tax position has a “more likely than not” sustainability after review by tax authorities. If a tax position is deemed not to meet this threshold, any unrecognized tax benefits and costs are estimated and recognized. Tax returns are routinely open for review by tax authorities for three years from their due date. In certain circumstances, that statute of limitations may remain open indefinitely.

Adoption of New Accounting Pronouncement

In June 2016, the FASB issued an Accounting Standards Update (“ASU”) amending the accounting for credit losses on financial instruments. This methodology replaced the incurred loss methodology with the expected credit losses using a wide range of reasonable and supportable information. The amendment affects loans, debt securities, trade receivables, net investments in leases, off-balance sheet credit exposure, and other financial instruments recorded at amortized cost. The College adopted the new standard effective July 1, 2023, using the modified retrospective approach, and it did not have a material effect on the financial statements.

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, 2023, from which the summarized information was derived.

3. ACCOUNTS RECEIVABLE

Accounts receivable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Student receivables	\$ 3,264,069	\$ 2,783,025
Other receivables	<u>553,537</u>	<u>418,348</u>
	3,817,606	3,201,373
Less: Allowance for credit losses	<u>(1,070,348)</u>	<u>(974,915)</u>
	<u>\$ 2,747,258</u>	<u>\$ 2,226,458</u>

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4. PLEDGES RECEIVABLE

Pledges receivable are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 191,000	\$ 105,994
Due in one to five years	<u>282,000</u>	<u>66,000</u>
	473,000	171,994
Less: Discount to net present value	<u>(4,954)</u>	<u>(6,406)</u>
	468,046	165,588
Less: Allowance for doubtful accounts	<u>(20,000)</u>	<u>-</u>
	<u>\$ 448,046</u>	<u>\$ 165,588</u>

At June 30, 2024 and 2023, the long-term portion of unconditional promises to give is discounted at 1.0% and 3.7%, respectively.

5. INVESTMENTS

The following is a summary of the College's investments at June 30:

	<u>2024</u>	<u>2023</u>
Investments at fair market value		
Long-term investments		
Money market funds	\$ 2,364,659	\$ 3,775,138
Bond funds	3,165,256	4,190,756
Equity funds	7,429,333	9,296,190
Hybrid funds	<u>15,848,302</u>	<u>13,803,053</u>
	<u>\$ 28,807,550</u>	<u>\$ 31,065,137</u>

The following is a description of the College's investments:

Money Market Funds: A type of fixed income mutual fund that invests in debt securities characterized by their short maturities and minimal credit risk. Valued at net asset value of the shares held at fiscal year end, money market funds maintain a net asset value of \$1.00 per share as any excess earnings generated through interest are distributed to shareholders.

Bond Funds: Also referred to as debt funds, invest primarily in government, municipal, corporate, and convertible bonds, as well as other debt instruments, with the primary goal of generating income in the form of interest and dividends. Valued at net asset value of the shares held at fiscal year end.

Equity Funds: Also referred to as stock funds, invest primarily in domestic and foreign publicly traded companies. Valued at net asset value of the shares held at fiscal year end.

Hybrid Funds: Mutual funds or exchange-traded funds that invest in more than one type of security, such as stocks and bonds, which allows investors to own a combination of underlying investment asset classes. Valued at net asset value of the shares held at fiscal year end.

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The College does not hold funds requiring redemption at prescribed times.

As of June 30, 2024 and 2023, all of the College's investments are classified as Level 1 in accordance with the fair value hierarchy.

6. INVESTMENTS HELD IN TRUST BY OTHERS

Fair value of investments held in trust by others from the beneficial interest in charitable remainder trusts is measured either at net asset value or quoted market value of the shares held at fiscal year end. Investments held in trust by others are classified as Level 1 in accordance with the fair value hierarchy.

The following represents a summary of the restrictions on these assets at June 30:

	<u>2024</u>	<u>2023</u>
With donor restrictions		
Scholarships and awards	\$ 476,727	\$ 441,805
Institutional support	420,629	388,193
	<u>\$ 897,356</u>	<u>\$ 829,998</u>

7. PROPERTY AND EQUIPMENT

A summary of the major components of property and equipment is as follows at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 2,249,863	\$ 2,249,863
Construction in progress	7,218,433	148,585
Land improvements	7,554,876	7,496,057
Buildings and building improvements	66,042,332	65,621,657
Furnishings and equipment	25,247,181	24,123,483
Asset retirement obligations	<u>2,758,700</u>	<u>2,758,700</u>
	111,071,385	102,398,345
Less: Accumulated depreciation	<u>(63,475,675)</u>	<u>(60,336,979)</u>
	<u>\$ 47,595,710</u>	<u>\$ 42,061,366</u>

8. BENEFICIAL INTEREST IN THIRD-PARTY TRUSTS

During the year ended June 30, 2023, the College was notified that it was designated as the beneficiary of several trusts. Upon death of the beneficiary of the trusts, the College is entitled to 25% of the value of the trusts. There were no payments received during fiscal year 2024. Based on life expectancy of the beneficiary, the gift has been valued at \$604,928 and \$900,000 as of June 30, 2024 and 2023, respectively, using a 4% discount rate. Management cannot estimate the collection date of the gift as of June 30, 2024.

The College is the beneficiary of a trust held by an outside trustee. Upon the death of the beneficiary of the trust, the College is entitled to 25% of the fair value of the trust. The fair value of the trust is classified as Level 3 due to the lack of readily available market data for similar instruments. The valuation is based on a discounted cash flow model using a discount rate of 4% derived from current market yields for similar investments and the life expectancy of the income beneficiary, as per the 2021 Social Security Actuarial Life Table. There were no payments received during fiscal year 2024. The fair value portion of the College's interest in the trust at June 30, 2024 and 2023 was \$604,928 and \$900,000, respectively.

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9. LINE OF CREDIT

The College has available an \$8,000,000 revolving line of credit, renewable annually each November. The line of credit requires monthly interest-only payments at the prime rate (8.50% at June 30, 2024 and 2023). The line of credit is collateralized by real estate owned by the College. At June 30, 2024 and 2023, the balance on the line of credit was \$8,000,000.

10. DEBT

Bonds, mortgages, and notes payable consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
<i>Bonds payable:</i>		
Bonds payable, due October 2038, requiring aggregate monthly principal and interest payments of \$56,957. Interest rate of 3.25%.	\$ 7,834,324	\$ 8,251,431
<i>Mortgages payable:</i>		
Mortgage payable, due June 2032, presently requiring monthly principal and interest payments of \$19,935. Interest rate of 4.10% through May 2022 and then adjusted to a fixed rate equal to the then prevailing Federal Home Loan Bank rate plus 2.00%.	1,629,269	1,797,926
Mortgage payable, due September 2024, requiring monthly principal and interest payments of \$39,816. Interest rate of 4.375%.	116,581	570,865
<i>Notes payable:</i>		
Note payable, due October 2035, presently requiring monthly principal and interest payments of \$18,072. Interest rate of 3.875% through October 2025 and then adjusted to a fixed rate equal to the then prevailing five-year U.S. Treasury rate plus 2.00%.	1,986,182	2,119,382
Note payable, due June 2026, requiring monthly principal and interest payments of \$16,974. Interest rate of 4.10%.	390,472	574,044
Note payable, due November 2025, requiring monthly principal and interest payments of \$7,215. Interest rate of 2.75%.	120,143	202,116
Non interest bearing note payable with a vendor, requiring monthly principal payments of \$49,898 through July 2033.	2,204,544	2,477,273
Non interest bearing note payable with a vendor, requiring monthly principal payments of \$6,804 through July 2033.	<u>660,006</u>	<u>741,656</u>
Total debt	14,941,521	16,734,693
Bond issuance costs, net of amortization	<u>-</u>	<u>(20,697)</u>
	<u>\$ 14,941,521</u>	<u>\$ 16,713,996</u>

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Future principal maturities of debt subsequent to June 30, 2024, are as follows:

2025	\$ 1,502,882
2026	1,366,869
2027	1,165,205
2028	1,195,864
2029	1,228,036
Thereafter	<u>8,482,665</u>
	<u>\$ 14,941,521</u>

Cash paid for interest was approximately \$460,000 and \$522,000 for the years ended June 30, 2024 and 2023, respectively.

All bonds, mortgages, and notes payable, except the non-interest-bearing notes payable, are under obligation with one financial institution constituting a master loan and security agreement. These bonds, mortgages, and notes payable are collateralized by an interest in all assets of the College, including the products and proceeds thereof. The master loan and security agreement contains covenants regarding certain operating activities and financial statements amounts and ratios of the College. The College is in compliance with covenants at June 30, 2024.

Notes Payable

The College has entered into two separate interest-bearing notes payable agreements with a vendor that expire at various times through June 30, 2027. The notes payable balance at June 30, 2024 and 2023, was \$50,726 and \$82,811, respectively.

Future scheduled note payments are as follows:

2025	\$ 40,658
2026	9,891
2027	<u>177</u>
Total payments	<u>\$ 50,726</u>

Total amounts due between bonds payable, mortgages payable, and notes payable as of June 30, 2024 and 2023, are \$14,992,247 and \$16,796,807, respectively.

11. LEASES

The College has various tenant-at-will agreements with sporting facilities, equipment, etc. The College has elected the short-term lease recognition exemption for all applicable classes of underlying assets. Leases with an initial term of 12 months or less are not recognized on the statement of financial position. Lease expense was \$173,764 and \$238,980 for the years ended June 30, 2024 and 2023, respectively.

12. RETIREMENT PLANS

Defined Benefit Plan

The College maintains a contributory defined benefit pension plan covering certain College employees. The amount contributed to the plan by the College is based upon the expected benefit as defined in the plan. Effective February 1, 2006, the College amended the defined benefit pension plan and all accrued benefits have been frozen.

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The measurement dates used to determine the pension assets and benefit obligations were June 30, 2024 and 2023, respectively. The plan's investment funding vehicle is a pension funding contract (no reserve for retired employees and immediate recognition of experience gains or losses).

The following is the plan's funded status at June 30:

	<u>2024</u>	<u>2023</u>
Change in pension benefit obligation		
Benefit obligation, beginning of year	\$ 6,555,402	\$ 7,309,993
Interest cost	307,270	311,945
Assumption changes	(132,581)	(281,903)
Actuarial change	247,308	642,647
Benefits paid	(423,559)	(435,149)
Settlement	<u>(452,927)</u>	<u>(992,131)</u>
Benefit obligation, end of year	<u>6,100,913</u>	<u>6,555,402</u>
Change in plan assets		
Fair value of plan assets, beginning of year	5,624,888	6,541,088
Actual return on plan assets	602,761	511,080
Employer contributions	177,273	-
Benefits paid	(423,559)	(435,149)
Settlement	<u>(452,927)</u>	<u>(992,131)</u>
Fair value of plan assets, end of year	<u>5,528,436</u>	<u>5,624,888</u>
Funded status at end of year	<u>\$ (572,477)</u>	<u>\$ (930,514)</u>

The following represents the net periodic benefit cost and other changes in plan assets and benefit obligations recognized as the change in pension valuation in the statement of activities and changes in net assets at June 30:

	<u>2024</u>	<u>2023</u>
Net periodic benefit cost		
Interest cost	\$ (307,270)	\$ (311,945)
Expected return on plan assets	280,149	348,398
Amortization of net actuarial change	(230,550)	(327,628)
Settlement charge	<u>(67,734)</u>	<u>(214,800)</u>
	(325,405)	(505,975)
Other changes in plan assets and benefit obligations		
Net gain	<u>506,169</u>	<u>344,366</u>
	<u>\$ 180,764</u>	<u>\$ (161,609)</u>

At June 30 2024, there was a significant gain due to an increase in the discount rate from the prior year.

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Weighted-average assumptions used in the accounting for the College's pension benefit plan were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate - benefit obligations	5.30%	4.45%
Discount rate - net periodic pension cost	5.00%	4.45%
Expected long-term return on plan assets	6.50%	6.50%
Rate of compensation increase (see below)	N/A	N/A

The actuarial cost method is the projected unit credit method (as defined in Accounting Standards Codification 715). Under the projected unit credit method, current salaries are projected to the retirement date using a salary growth scale.

The expected long-term rate of return on the College's plan assets is a component of the plan's net periodic benefit cost and should represent the average rate of earnings expected over the long term on the funds invested to provide future benefits. The College's view on the current market environment with the current asset allocation of the portfolio would require 6.5% return to maintain funding of the plan and to continually meet retirement obligations. The College took historical performance of the past 20 years, combined with the future expectations in a rising rate environment, to maintain the 6.5% rate for the plan year based on numerous factors including benefit payments, future benefit payments, and an ageing demographic.

The following plan benefit payments (assuming 50% lump-sum distributions) are expected to be paid to retirees subsequent to June 30, 2024:

2025	\$ 890,000
2026	540,000
2027	530,000
2028	530,000
2029	520,000
2030-2034	<u>2,380,000</u>
	<u>\$ 5,390,000</u>

The plan's assets are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Board determines the Plan's valuation policies utilizing information provided by the investment advisors and custodians. Purchases and sales of securities are recorded on a trade-date basis, interest income is recorded on the accrual basis, and dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

The fair value of each class of plan assets is as follows at June 30:

<u>Investment</u>	Fair Value Estimated Using Net Asset Value Per Share 2024	
	<u>Fair Value</u>	<u>Input Level</u>
Mutual funds (A)	\$ 4,342,405	Level 1
Separate accounts (B)	<u>1,186,031</u>	Level 1
	<u>\$ 5,528,436</u>	

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<u>Investment</u>	Fair Value Estimated Using Net Asset Value Per Share 2023	
	<u>Fair Value</u>	<u>Input Level</u>
Mutual funds (A)	\$ 4,139,510	Level 1
Separate accounts (B)	1,485,378	Level 1
	<u>\$ 5,624,888</u>	

The plan's assets are allocated as follows at June 30:

	<u>2024</u>	<u>2023</u>
Domestic equity securities	70%	64%
Foreign equity securities	10%	10%
Debt securities	20%	26%

The plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the statement of financial position.

Defined Contribution Plan

The College participates in a defined contribution 403(b) plan covering all eligible employees of the College. Employer contributions to the plan amounted to \$354,359 and \$568,724 for the years ended June 30, 2024 and 2023, respectively.

13. ASSET RETIREMENT OBLIGATIONS

In accordance with promulgations of the FASB, the College has recorded conditional asset retirement obligations that relate to certain asbestos remediation, removal of oil and gas tanks, and other environmental indemnifications. The asset retirement obligations are based on management's estimate of the College's potential obligations. It is possible that new or additional information may warrant changes to this estimate.

The following is a summary of the aggregate conditional asset retirement obligations associated with the College's asbestos remediation, removal of oil and gas tanks, and other environmental indemnifications at June 30:

	<u>2024</u>	<u>2023</u>
Asset retirement obligations, beginning of year	\$ 1,810,663	\$ 1,810,663
Determination of additional obligations	-	-
Obligations paid	-	-
Asset retirement obligations, end of year	<u>\$ 1,810,663</u>	<u>\$ 1,810,663</u>

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14. NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions comprise the receipt of funds related to activities that the College engages in that are not restricted in nature and gains on certain endowed net assets. Net assets without donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Board-designated funds	\$ 5,906,806	\$ 10,783,546
Undesignated	<u>33,406,516</u>	<u>29,747,166</u>
	<u>\$ 39,313,322</u>	<u>\$ 40,530,712</u>

The Board established a fund to provide for the long-term financial stability of the College and to enhance its ability to respond to extraordinary emergency needs. The purpose of this fund is to provide a mechanism for the Board to set aside and invest certain funds.

Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2024</u>	<u>2023</u>
Endowment (for perpetuity)	\$ 12,675,468	\$ 12,089,847
Scholarships and awards (for purpose)	5,374,757	3,909,962
Institutional support (for purpose)	3,370,732	2,463,869
General Operations (for passage of time)	604,928	900,000
Athletics (for purpose)	<u>172,971</u>	<u>208,958</u>
	<u>\$ 22,198,856</u>	<u>\$ 19,572,636</u>

Net Assets Released from Restrictions

Net assets with donor restrictions were released from restrictions by incurring expenses satisfying the purposes specified by donors for the years ended June 30, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Scholarships and awards	\$ 440,836	\$ 453,532
Institutional support	273,510	92,088
Athletics	<u>645,506</u>	<u>340,520</u>
	<u>\$ 1,359,852</u>	<u>\$ 886,140</u>

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15. ENDOWMENT

Changes in endowment net assets for the years ended June 30, 2024 and 2023, are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 12,760,381	\$ 17,721,438	\$ 30,481,819
Contributions	-	518,262	518,262
Transfers	(6,200,000)	-	(6,200,000)
Investment return	1,323,261	2,800,763	4,124,024
Amounts appropriated	<u>(155,940)</u>	<u>(423,801)</u>	<u>(579,741)</u>
Endowment net assets, end of year	<u>\$ 7,727,702</u>	<u>\$ 20,616,662</u>	<u>\$ 28,344,364</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,761,294	\$ 16,262,692	\$ 28,023,986
Contributions	173,478	194,893	368,371
Investment return	825,609	1,696,285	2,521,894
Amounts appropriated	<u>-</u>	<u>(432,432)</u>	<u>(432,432)</u>
Endowment net assets, end of year	<u>\$ 12,760,381</u>	<u>\$ 17,721,438</u>	<u>\$ 30,481,819</u>

Board-designated unrestricted funds are quasi-endowments. These funds do not have donor-imposed restrictions. The Board has determined that these particular funds will be retained by the College as investments rather than expended for operational or other purposes.

16. RELATED PARTIES

Members of the College's Board of Trustees may, from time to time, be associated, either directly or indirectly, with entities doing business with the College. The College's conflict of interest policy requires, among other things, that no Board member can participate in any decision in which he or she (or an immediate family member) has a material financial interest.

The College requires that management and the Board complete an annual disclosure of significant financial interest in, or employment or consulting relationships with, entities doing business with the College. When such relationships are identified, measures are taken to address the actual or perceived conflict to protect the best interest of the College and ensure compliance with applicable conflict of interest policies. The College takes measures to mitigate any actual or perceived conflict, including requiring that any related party transactions be conducted at arm's length for good and sufficient consideration, based on terms that are fair and reasonable to, and in the best interest of, the College.

During the years ended June 30, 2024 and 2023, the College procured services from a related party approximating \$59,000 and \$73,000, respectively.

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17. COMMITMENTS, CONTINGENCIES, AND UNCERTAINTIES

Cash

The College maintains deposits at financial institutions, and at times during the year, these balances may exceed the federally insured limit. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the College's financial condition, results of operations, and cash flows. At June 30, 2024 and 2023, uninsured amounts totaled approximately \$8,472,000 and \$12,191,000, respectively.

Investments

The College invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks.

Supplemental Executive Retirement Plans

The College has a supplemental executive retirement plan ("SERP") agreement with the College's former president. The agreement is intended to comply with all nonqualified deferred compensation rules, including those under Internal Revenue Code Sections 409A and 457A. The College has agreed to award the president, on an annual basis, an amount ranging from \$25,000 to \$125,000, as determined annually by the Board's Compensation Committee. The SERP becomes fully vested in 2024. Awarded amounts can also be vested upon the termination of the employment relationship as a result of the death, permanent disability, or termination without cause.

Management has recorded the total contingent liability and related expense associated with the supplemental executive retirement plan to date in the amount of approximately \$0 and \$153,000 as of June 30, 2024 and 2023, respectively. This contingent liability is included in accrued expenses in the statement of financial position.

Third-Party Agreement

The College has a contract with a third-party vendor expiring in 2033 for the provision of food services. The agreement gives the provider exclusive rights to provide food services on the campus. Annual costs to the College are dependent upon the number of students served. As part of the agreement, the provider advanced \$1,000,000 in 2023 to the College as a bonus payment for entering into the contract. The College has included this amount in deferred revenues and will amortize it over the life of the contract. If the College should cancel the agreement, the unamortized balance of the deferred revenue shall be reimbursed to the provider. The unamortized balance of this advance was approximately \$910,000 and \$1,025,000 for the years ended June 30, 2024 and 2023, respectively.

Federal and State Grants

All funds expended by the College in connection with government grants and contracts are subject to review or audit by governmental agencies. In the opinion of management, any liability resulting from a review or audit would not have a significant impact on the financial statements of the College.

Composite Score

As a condition of eligibility to participate in Federal Student Financial Assistance programs, the College is required to demonstrate financial responsibility, as defined by U.S. Department of Education regulations, by maintaining a composite score of at least 1.5. The regulations also establish a composite score zone between 1.0 and 1.4; institutions falling within this zone are allowed up to three consecutive years to improve their financial condition without requiring surety.

The College has calculated a composite score of 2.3 and 2.7 for the years ended June 30, 2024 and 2023, respectively.

American International College
Notes to Financial Statements
June 30, 2024 (With Summarized Comparative Information for June 30, 2023)

Litigation

In the ordinary course of business, the College is involved in a number of litigation matters. In the opinion of management, these matters will not have a significant effect on the financial statements of the College.

18. AVAILABILITY AND LIQUIDITY

The following represents the College's financial assets available to meet general expenditures within one year at June 30:

	<u>2024</u>	<u>2023</u>
Financial assets at year-end		
Cash and equivalents	\$ 8,725,300	\$ 11,788,256
Accounts receivable	2,769,013	2,226,458
Pledges receivable (due in less than one year)	<u>191,000</u>	<u>105,994</u>
Financial assets available to meet general expenditures within one year	<u>\$ 11,685,313</u>	<u>\$ 14,120,708</u>

The College reviews its cash position on a regular basis to ensure that adequate funds are available to meet expenses. If funds are needed for expenses, management can liquidate investments or request the Board to remove designations or access its line of credit. At June 30, 2024 and 2023, management believes that the College has no liquidity issues.

19. OTHER MATTERS

On July 27, 2023, the College's nursing and health sciences academic building was destroyed by a fire. The fire resulted in an involuntary conversion loss of \$43,898 calculated as the fair market value of the assets destroyed in the fire. At June 30, 2024, insurance proceeds resulting from claims related to the fire amounted to \$7,694,709. and is included in other income on the statement of activities. The building is in the process of being repaired.

20. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 27, 2024, the date for which the financial statements were available for issuance. Management did not identify any events subsequent to June 30, 2024, other than the event mentioned below, requiring additional disclosure in these financial statements.

In July 2024, the College's \$8,000,000 outstanding line of credit was repaid in full to the financial institution.

SUPPLEMENTARY INFORMATION

American International College
Financial Responsibility Supplemental Schedule
Year Ended June 30, 2024

Primary Reserve Ratio:		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ - \$ 44,991,988
2	SFP	Net assets with donor restrictions	- 16,293,928
3	Not applicable	Secured and unsecured related party receivable - Total	- -
4	Not applicable	Unsecured related party receivables	- -
5	SD Line 7	Property, plant and equipment, net (includes construction in progress) - Total	47,145,853 -
6	SD Line 3d	Property, plant and equipment pre-implementation	- 38,791,727
7	SD Line 4d	Property, plant and equipment post-implementation with outstanding debt for original purchase	- -
8	SD Line 6a	Property, plant and equipment post-implementation without outstanding debt for original purchase	- 1,058,730
9	SD Line 5	Construction in progress	- 7,295,396
10	SFP	Lease right-of-use asset, net - Total	- -
11	SD Line 14	chosen)	- -
12	SD Line 15. Lease right-of-use of asset liability	Lease right-of-use asset, post-implementation	- -
13	SFP	Intangible assets	- -
14	SFP	Post-employment and pension liabilities	- 572,477
15	SD Lines 8d, 9a-c, 10	Long-term debt - for long-term purposes - Total	14,992,247 -
16	SD Line 8d	Long-term debt - for long-term purpose pre-implementation	- 14,992,247
17	SD Lines 9a-c	Long-term debt - for long-term purposes post-implementation	- -
18	SD Line 10	Line of credit for construction in progress	- -
19	SFP	Lease right-of-use asset liability - Total	- -
20	SD Line 17	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)	- -
21	SD Line 18	Post-implementation right-of-use asset liability	- -
22	SD Line 2d	Annuities, term endowment and life income with donor restrictions - Total	- -
23	SD Line 2a	Annuities with donor restrictions	- -
24	SD Line 2b	Term endowments with donor restrictions	- -
25	SD Line 2c	Life income funds with donor restrictions	- -
26	SD Line 1	Net assets with donor restrictions - restricted in perpetuity	- 12,675,468
		Total Expenses Without Donor Restrictions and Losses Without Donor Restrictions:	
	Statement of Activities (SOA) - Total Expense	Total expenses without donor restrictions - taken directly from Statement of Activities	- 52,130,362
27	prior to Other Changes	Non-operating and net investment (loss)	- -
28	SOA	Net investment losses	- -
29	SOA	Pension-related changes other than net periodic costs	- 180,764
30	SOA		
Equity Ratio:		Modified Net Assets:	
31	SFP	Net assets without donor restrictions	- 44,991,988
32	SFP	Net assets with donor restrictions	- 16,293,928
33	SFP	Intangible assets	- -
34	SFP	Intangible assets - goodwill	- -
35	Not applicable	Secured and unsecured related party receivables - Total	- -
36	Not applicable	Unsecured related party receivables	- -
		Modified Assets:	
37	SFP	Total assets	- 95,064,857
38	SD Line 13	Lease right-of-use asset pre-implementation	- -
39	SD Line 14	Pre-implementation right-of-use asset liability	- -
40	SFP	Intangible assets	- -
41	Not applicable	Secured and unsecured related part receivables	- -
42	Not applicable	Unsecured related party receivables	- -
Net Income Ratio:		Change in Net Assets Without Donor Restrictions:	
43	SOA	Change in net assets without donor restrictions	- (2,927,852)
		Total Revenue Without Donor Restrictions and Gains Without Donor Restrictions:	
	SOA: Total Revenue, Gains and Other Support (Not including Investments)	Total revenues and gains	- 47,522,638
44	SOA: Investment Return	Investments, net (operating and non-operating)	- 1,499,108

See Independent Auditor's Report.

American International College
Financial Responsibility Supplemental Disclosures
Year Ended June 30, 2024

Net Assets

1	Net assets with donor restrictions: restricted in perpetuity	\$ 12,675,468
2	Other net assets with donor restrictions (not perpetually restricted):	
	a. Annuities with donor restrictions	-
	b. Term endowments	-
	c. Life income funds (trusts)	-
	d. Total annuities, term endowment and life income funds with donor restrictions	<u>\$ -</u>

Property, Plant and Equipment, net

3	Pre-implementation property, plant and equipment, net (PP&E, net)	
	a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2023 financial statements)	\$ 42,061,366
	b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 lease standards	-
	c. Less subsequent depreciation and disposals	<u>(3,269,639)</u>
	d. Balance pre-implementation property, plant and equipment, net	<u>38,791,727</u>
4	Debt financed post-implementation property, plant and equipment, net	
	Long-lived assets acquired with debt subsequent to June 30, 2023:	
	a. Equipment	-
	b. Land improvements	-
	c. Building	<u>-</u>
	d. Total property, plant and equipment, net acquired with debt exceeding 12 months	-
5	Construction in progress - acquired subsequent to June 30, 2023	7,295,396
6	Post-implementation property, plant and equipment, net, acquired without debt:	
	a. Long-lived assets acquired without use of debt subsequent to June 30, 2023	<u>1,058,730</u>
7	Total Property, Plant and Equipment, net - June 30, 2024	<u>\$ 47,145,853</u>

Debt to be excluded from expendable net assets

8	Pre-implementation debt:	
	a. Ending balance of last financial statement submitted to the Department of Education (June 30, 2023)	\$ 16,796,807
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards.	
	c. Less subsequent debt repayments	<u>(1,804,560)</u>
	d. Balance pre-implementation debt	14,992,247
9	Allowable post - implementation debt used for capitalized long-lived assets:	
	a. Equipment- all capitalized	-
	b. Land improvements	-
	c. Buildings	-
10	Construction in progress (CIP) financed with short-term debt	-
11	Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value	<u>-</u>
		<u>\$ 14,992,247</u>

See Independent Auditor's Report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
American International College:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of American International College (the "College"), which comprise the statement of financial position as of June 30, 2024, the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 27, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the College's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

WithumSmith+Brown, PC

November 27, 2024