

Consolidated Financial Statements and Report of Independent Certified Public Accountants

Gordon College

June 30, 2025 and 2024

Contents

Page

| | |
|--|---|
| Report of Independent Certified Public Accountants | 3 |
| Consolidated Financial Statements | |
| Consolidated statements of financial position | 5 |
| Consolidated statements of activities | 6 |
| Consolidated statements of cash flows | 8 |
| Notes to consolidated financial statements | 9 |

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Gordon College

Report on the financial statements**Opinion**

We have audited the financial statements of Gordon College (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 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 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.



Boston, Massachusetts
October 28, 2025

Gordon College

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 11,082,211 | \$ 16,031,423 |
| Accounts receivable, net | 2,860,777 | 1,371,996 |
| Contributions receivable, net | 3,329,183 | 8,129,131 |
| Prepaid expenses and supplies | 1,420,115 | 991,372 |
| Notes receivable, net | 383,335 | 531,695 |
| Beneficial interest in trusts | 3,230,742 | 3,186,254 |
| Investments | 126,075,461 | 114,422,855 |
| Land, buildings and equipment, net | 46,576,099 | 43,276,805 |
| | <u>\$ 194,957,923</u> | <u>\$ 187,941,531</u> |
| Total assets | | |
| | <u>\$ 194,957,923</u> | <u>\$ 187,941,531</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities | | |
| Accounts payable and accrued expenses | \$ 4,663,563 | \$ 4,008,108 |
| Annuity payment obligations | 662,558 | 911,283 |
| Deferred revenue | 1,565,701 | 1,475,369 |
| Lease liabilities | 837,954 | 1,477,386 |
| Advances from the U.S. Department of Education | 536,597 | 740,433 |
| Long-term debt, net | 23,175,597 | 21,791,832 |
| | <u>31,441,970</u> | <u>30,404,411</u> |
| Total liabilities | | |
| | <u>31,441,970</u> | <u>30,404,411</u> |
| Net assets | | |
| Without donor restrictions: | | |
| Undesignated | 27,067,964 | 25,066,349 |
| Board designated | 51,686,443 | 48,641,225 |
| | <u>78,754,407</u> | <u>73,707,574</u> |
| Total net assets without donor restrictions | | |
| | <u>78,754,407</u> | <u>73,707,574</u> |
| With donor restrictions | 84,761,546 | 83,829,546 |
| | <u>84,761,546</u> | <u>83,829,546</u> |
| Total net assets | | |
| | <u>163,515,953</u> | <u>157,537,120</u> |
| Total liabilities and net assets | | |
| | <u>\$ 194,957,923</u> | <u>\$ 187,941,531</u> |

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

Gordon College

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2025

(With summarized comparative information for the year ended June 30, 2024)

| | Without Donor Restrictions | With Donor Restrictions | Total | 2024 |
|--|----------------------------------|-------------------------------|-----------------------|-----------------------|
| Revenue | | | | |
| Operating revenues: | | | | |
| Tuition and fee revenue, net | \$ 24,601,271 | \$ - | \$ 24,601,271 | \$ 21,251,029 |
| Auxiliary services | 17,458,458 | - | 17,458,458 | 17,454,982 |
| Contributions, grants and contracts | 3,260,680 | 4,151,252 | 7,411,932 | 9,969,337 |
| Investment income appropriated | 7,923,845 | - | 7,923,845 | 6,479,625 |
| Other investment income | 912,907 | - | 912,907 | 738,468 |
| Organized activities | 210,183 | - | 210,183 | 171,077 |
| Other income | 1,112,310 | 962,069 | 2,074,379 | 1,240,614 |
| Net assets released from restrictions | 9,105,830 | (9,105,830) | - | - |
| Total operating revenues | 64,585,484 | (3,992,509) | 60,592,975 | 57,305,132 |
| Expenses | | | | |
| Operating expenses: | | | | |
| Instruction | 18,389,334 | - | 18,389,334 | 16,985,841 |
| Research | 298,762 | - | 298,762 | 64,086 |
| Public service | 73,001 | - | 73,001 | 71,711 |
| Academic support | 4,086,650 | - | 4,086,650 | 3,421,811 |
| Student services | 14,004,111 | - | 14,004,111 | 11,569,129 |
| Auxiliary expenses | 15,423,259 | - | 15,423,259 | 16,890,587 |
| Program | 52,275,117 | - | 52,275,117 | 49,003,165 |
| Management and general | 10,049,943 | - | 10,049,943 | 9,898,870 |
| Development | 2,157,074 | - | 2,157,074 | 2,560,414 |
| Total operating expenses | 64,482,134 | - | 64,482,134 | 61,462,449 |
| Change in net assets from operations | 103,350 | (3,992,509) | (3,889,159) | (4,154,317) |
| Nonoperating revenues (expenses) | | | | |
| Contributions for long-term investment | - | 2,320,996 | 2,320,996 | 2,522,484 |
| Change in fair value of split-interest agreements | (2,252) | 66,371 | 64,119 | 12,480 |
| Investment income net of total return appropriated | 3,050,146 | 4,434,100 | 7,484,246 | 7,818,909 |
| (Loss) gain on sale of property | (1,369) | - | (1,369) | 51,094 |
| Net assets released from restrictions - capital | 1,896,958 | (1,896,958) | - | - |
| Total nonoperating revenues | 4,943,483 | 4,924,509 | 9,867,992 | 10,404,967 |
| CHANGE IN NET ASSETS | 5,046,833 | 932,000 | 5,978,833 | 6,250,650 |
| Net assets, beginning of year | 73,707,574 | 83,829,546 | 157,537,120 | 151,286,470 |
| Net assets, end of year | <u>\$ 78,754,407</u> | <u>\$ 84,761,546</u> | <u>\$ 163,515,953</u> | <u>\$ 157,537,120</u> |

The accompanying notes are an integral part of this consolidated financial statement.

Gordon College

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|---|--|----------------|
| Revenue | | | |
| Operating revenues: | | | |
| Tuition and fee revenue, net | \$ 21,251,029 | \$ - | \$ 21,251,029 |
| Auxiliary services | 17,454,982 | - | 17,454,982 |
| Contributions, grants and contracts | 3,139,949 | 6,829,388 | 9,969,337 |
| Investment income appropriated | 5,772,742 | 706,883 | 6,479,625 |
| Other investment income | 673,723 | 64,745 | 738,468 |
| Organized activities | 171,077 | - | 171,077 |
| Other income | 1,166,198 | 74,416 | 1,240,614 |
| Net assets released from restrictions | 12,348,169 | (12,348,169) | - |
| Total operating revenues | 61,977,869 | (4,672,737) | 57,305,132 |
| Expenses | | | |
| Operating expenses: | | | |
| Instruction | 16,985,841 | - | 16,985,841 |
| Research | 64,086 | - | 64,086 |
| Public service | 71,711 | - | 71,711 |
| Academic support | 3,421,811 | - | 3,421,811 |
| Student services | 11,569,129 | - | 11,569,129 |
| Auxiliary expenses | 16,890,587 | - | 16,890,587 |
| Program | 49,003,165 | - | 49,003,165 |
| Management and general | 9,898,870 | - | 9,898,870 |
| Development | 2,560,414 | - | 2,560,414 |
| Total operating expenses | 61,462,449 | - | 61,462,449 |
| Change in net assets from operations | 515,420 | (4,672,737) | (4,157,317) |
| Nonoperating revenues (expenses) | | | |
| Contributions for long-term investment | - | 2,522,484 | 2,522,484 |
| Change in fair value of split-interest agreements | - | 12,480 | 12,480 |
| Investment income net of total return appropriated | 2,934,923 | 4,883,986 | 7,818,909 |
| Gain on sale of property | 51,094 | - | 51,094 |
| Net assets released from restrictions - capital | 489,058 | (489,058) | - |
| Total nonoperating revenues | 3,475,075 | 6,929,892 | 10,404,967 |
| CHANGE IN NET ASSETS | 3,990,495 | 2,257,155 | 6,247,650 |
| Net assets, beginning of year | 69,714,079 | 81,572,391 | 151,286,470 |
| Net assets, end of year | \$ 73,704,574 | \$ 83,829,546 | \$ 157,534,120 |

The accompanying notes are an integral part of this consolidated financial statement.

Gordon College

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

| | 2025 | 2024 |
|---|----------------------|----------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 5,978,833 | \$ 6,250,650 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 4,794,856 | 4,898,760 |
| Amortization of bond issuance costs | 8,765 | 8,766 |
| Net (gain) loss on sales and disposals of assets | (1,369) | 51,094 |
| Contributions received for long-term purposes | (2,320,996) | (2,522,484) |
| Actuarial adjustment on annuity obligations | (248,726) | 54,257 |
| Realized and unrealized gains on investments | (13,311,439) | (11,867,364) |
| Change in allowance for doubtful accounts | (5,249) | (74,244) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (1,483,532) | 384,352 |
| Contributions receivable | 4,799,948 | 3,764,004 |
| Prepaid expenses and supplies | (428,743) | 420,042 |
| Beneficial interest in trusts | (44,488) | (182,550) |
| Accounts payable, accrued expenses and other liabilities | 655,455 | 1,582,515 |
| Payments on lease liability - operating | (33,926) | (32,829) |
| Deferred revenue | 90,332 | (224,600) |
| Net cash (used in) provided by operating activities | (1,550,279) | 2,510,369 |
| Cash flows from investing activities: | | |
| Purchases of land, buildings and equipment | (8,092,781) | (3,626,321) |
| Proceeds from sale of property | - | (43,594) |
| Purchases of investments | (19,260,324) | (17,099,544) |
| Proceeds from sales of investments | 20,919,158 | 21,166,836 |
| Collection of notes receivable | 148,360 | 290,662 |
| Net cash (used in) provided by investing activities | (6,285,587) | 688,039 |
| Cash flows from financing activities: | | |
| Contributions received for long-term purposes | 2,320,996 | 2,522,484 |
| Payments of annuity obligations | - | (28,182) |
| Issuance of new finance lease obligations | 27,024 | 313,830 |
| Payments on lease liability - finance | (632,530) | (717,882) |
| Proceeds from the issuance of long-term debt | 1,375,000 | - |
| Repayment of long-term debt | - | (1,458,333) |
| Payments to U.S. Department of Education | (203,836) | (253,898) |
| Net cash provided by financing activities | 2,886,654 | 378,019 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (4,949,212) | 3,576,427 |
| Cash and cash equivalents, beginning of year | 16,031,423 | 12,454,996 |
| Cash and cash equivalents, end of year | <u>\$ 11,082,211</u> | <u>\$ 16,031,423</u> |
| Supplemental disclosures: | | |
| Cash paid for interest | <u>\$ 701,104</u> | <u>\$ 644,580</u> |
| Purchases of equipment through financed with financing lease agreements | <u>\$ 27,024</u> | <u>\$ 313,830</u> |

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

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2025 and 2024

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Gordon College (the "College") is a nondenominational Christian liberal arts college offering 40 majors and conferring three separate undergraduate degrees: The Bachelor of Arts, Bachelor of Science and Bachelor of Music. The College also confers the Master of Education, Master of Music Education, Master of Science in Financial Analysis, Master of Arts in Leadership degrees, and Master of Public Health. The College's undergraduate enrollment of approximately 1,300 is drawn from 48 states and 36 foreign countries. The College is accredited by the New England Association of Schools and Colleges and is located in Wenham, Massachusetts.

The College participates in student financial aid programs sponsored by the United States Department of Education and the Commonwealth of Massachusetts, which facilitates the payment of tuition and other expenses for certain qualified students.

As an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the United States Department of Education (ED).

Basis of Financial Statement Presentation

The accompanying consolidated financial statements of the College have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), and include the accounts of Gordon College, and its affiliate, the Gordon College Foundation.

Classification and Reporting of Net Assets

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

Without donor restrictions - Net assets that are not subject to donor-imposed restrictions or for which restrictions have expired. Also included in this category are net assets designated by the Board of Trustees, including "funds functioning as endowment."

With donor restrictions - Net assets subject to donor-imposed restrictions that permit the College to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the College. Also included in this category are net assets subject to donor-imposed restrictions that stipulate that resources be maintained permanently but may permit the College to use or expend part or all of the economic benefits derived from the donated assets.

Interest, dividends, and net gains or losses on investments are reported as follows:

- As increases or decreases in net assets with donor restrictions if the terms of the gift require that they be applied to the principal of a permanently endowed fund;
- As increases or decreases in net assets with donor restrictions if the terms of the gift and/or relevant state law impose restrictions on the current use of the income or net gains and losses; and
- As increases or decreases in net assets without donor restrictions in all other cases.

The College reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

The College reports gifts of equipment or other assets as net assets 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 net assets with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the College reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents

The College considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents held temporarily by the College's investment managers are classified as investments.

The College regularly maintains cash balances in excess of federally insured limits. The College has not experienced any losses in such accounts and does not believe it is exposed to significant credit risks.

Accounts Receivable

Accounts receivable include all current accounts receivable related to student transactions net of allowances of \$758,000 and \$763,000 at June 30, 2025 and 2024, respectively. The allowance for credit losses is provided based upon management's judgment including such factors as prior collection history, known and likely future events, supportable forecasts and type of receivable. The College writes off receivables when they become uncollectible and payments subsequently received on such receivables are credited to income.

In July 2025, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2025-05, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This ASU provides a practical expedient allowing entities to assume that conditions existing at the balance sheet date will remain unchanged for the remaining life of the asset when estimating credit losses. Additionally, entities other than public business entities may elect an accounting policy to consider subsequent collection activity occurring after the balance sheet date in estimating expected credit losses. The amendments are effective for annual reporting periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. The College is currently evaluating the impact of this guidance on its financial statements and related disclosures.

Revenue Recognition

Student charges for tuition and fees, housing, and dining are deemed to result in separate performance obligations and have been treated as separate contracts in the College's consolidated financial statements. Tuition and fees revenue is recognized in the fiscal year in which educational services are provided. Tuition discounts, in the form of scholarships and student aid are reported as a reduction of tuition and fees revenue and totaled \$18,038,008 and \$16,869,757 for the years ended June 30, 2025 and 2024, respectively. Income from auxiliary enterprises (housing and dining services) is recognized over the period housing and dining services are provided.

Deferred revenue as of June 30, 2025 and 2024 was \$1,565,701 and \$1,475,369, respectively, and consisted of payments received for tuition, fees and room and board for the following academic year's fall semester. Also included in deferred revenue at both June 30, 2025 and 2024 tuition and fees related to

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

certain summer terms, which cross fiscal years. These payments are recognized ratably as revenue over the applicable academic term as performance obligations are met.

For the years ended June 30, 2025 and 2024, the College recognized revenue of \$1,475,369 and \$1,699,969, respectively, from amounts that were included in deferred revenue at the beginning of the year. The changes in deferred revenue were caused by normal timing differences between the satisfaction of performance obligations and customer payments.

The College has elected, as a practical expedient, not to disclose additional information about unsatisfied performance obligations for contracts with customers that have an expected duration of one year or less.

Contributions, Grants, and Contracts

The College recognizes government and private contracts and grants as either contributions or exchange transaction revenues, depending on whether the transaction is reciprocal or not. For contributions, revenue is recognized when a contribution becomes unconditional, that is, when the conditions on which they depend are substantially met. Grants are evaluated as to whether they qualify as exchange transactions or contributions. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenues in the statements of financial position.

If a contract or grant agreement contains a right of release from the respective obligation provision on the part of the grantor and the agreement also contains a barrier to overcome, the College recognizes revenue for these conditional contributions when the related barrier to entitlement has been overcome. Funds received in advance of conditions being met would be reported as deferred revenue in the statements of financial position.

Contributions Receivable

Contribution revenue is recorded at fair value at the time of transfer. Transactions reported as contributions represent transfers to the College of cash or other assets or the cancellation of its liabilities in a nonreciprocal and voluntary transfer. Promises to give (contributions receivable) are recognized when the donor makes a pledge to the College that is, in substance, unconditional. Contributions receivable are recorded at their net realizable value. Contributions receivable that are expected to be collected beyond one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using an interest rate commensurate with the risks involved and the time duration involved at the time the pledge is received. Conditional promises to give are not included in revenues until the conditions are substantially met.

Split-Interest Agreements

The College's split-interest agreements consist of charitable gift annuities, irrevocable charitable remainder unitrusts for which the College serves as trustee, and irrevocable charitable remainder unitrusts for which the College does not serve as trustee.

For charitable gift annuities, assets are invested, and payments are made to beneficiaries (donors and/or their designees) in accordance with the respective agreements. Contribution revenue is recognized on the date the agreement is established, net of a liability recorded for the present value of the estimated future payments to be made to the beneficiaries.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

For the trusts where the College is both a beneficiary and the trustee of the assets, contribution revenue is recognized on the date the trust is established. The assets held in trust by the College are recorded at fair value when received, and a liability is recorded for the present value of the estimated future payments to be distributed to the donor beneficiaries.

For charitable remainder unitrusts where the College is a beneficiary but not a trustee of the assets, an asset and contribution revenue, representing the present value of the anticipated residual interest in the trust, are recorded in the year the trust is received. Annual changes to the market value of the assets are recognized as gains or losses within non-operating revenue (expenses) in the accompanying statements of activities.

Investments

Investments are carried at fair value (see Note 6).

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect amounts reported in the financial statements.

Purchases and sales of investments are recorded on a trade-date basis. Investment income is recorded when earned.

Debt Issuance Costs

Costs relating to the issuance of long-term debt are netted against the debt to which they pertain and subsequently amortized into the statement of activities over the term of the debt repayment period.

Debt issuance costs, net of accumulated amortization, of \$245,440 and \$254,205 at June 30, 2025 and 2024, respectively, have been presented as a deduction from the related long-term debt.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets. Equipment under finance/capital leases is recorded at the present value of the total lease payments.

Collections

The College holds certain collections of works of art and furnishings. These collections are housed in a protected environment and are used for exhibition purposes for the public, for education and research, as well as for the furtherance of service to the public. These collections are not disposed of for financial gains nor are they encumbered in any manner. Accordingly, these collections are not capitalized or recorded for purposes of preparing the accompanying financial statements.

Advances from the U.S. Department of Education

These amounts include funds advanced to the College under the federal Perkins Loan Program. On September 30, 2017, the federal government terminated the Perkins Loan Program. No additional loans under this program are authorized to be awarded after this date. In the event that the College no longer participates in the program, a portion of the amounts are generally refundable to the federal government. Perkins loans that are in default and meet certain requirements can be assigned to the Department of Education, which reduces the government advances for students.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Leases

The College determines if an arrangement is a lease at inception. All leases are recorded on the statements of financial position, except for leases with an initial term less than 12 months for which the College made the short-term lease election. The College has also elected the nonpublic business entity accounting policy alternative to use a risk-free discount rate instead of the College's incremental borrowing rate for all lease asset classes.

Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments using the College's the applicable risk-free rate over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets are included in land, buildings, and equipment, net of accumulated amortization and lease incentives, and the related liabilities are reflected as lease liabilities in the statements of financial position.

Operating lease expense is recognized on a straight-line basis over the lease term within the appropriate functional category in the statements of activities. Lease terms may include options to extend or terminate the lease when it is reasonably certain the College will exercise the option.

Finance lease ROU assets are included in property, plant, and equipment, net of accumulated amortization and lease incentives, and the related liabilities are included in lease liabilities, in the statements of financial position.

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.

Functional Expense Allocation

Expenses have been allocated to programmatic and non-programmatic functions based on estimated percentages of effort, usage, and square footage.

Nonoperating Revenues and Expenses

Nonoperating revenues and expenses includes contribution revenue and associated fundraising expenses, if any, attributable to the College's capital campaign and other contributions not associated with the annual fund, the investment return in excess of amounts designated for current operations and miscellaneous non-recurring income and expense. The College also includes the change in fair value of the interest rate swap and split-interest agreements as non-operating items.

Use of Estimates

The preparation of financial statements in conformity with 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, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant estimates made by the College involve allowances for credit losses, net realizable values of contributions receivable, economic useful lives of buildings, the valuation of certain investments and present values of annuity payment obligations. Actual results could differ from those estimates.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the change in net assets.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

| | <u>2025</u> | <u>2024</u> |
|---|---------------------------------|---------------------------------|
| Cash and cash equivalents | \$ 11,082,211 | \$ 16,031,423 |
| Investments | 126,075,461 | 114,422,855 |
| Accounts receivable, net | 2,860,777 | 1,371,996 |
| Contributions receivable, net | 3,329,183 | 8,129,131 |
| Beneficial interest in a trust | 3,230,742 | 3,186,254 |
| Endowment fund appropriation for following year | 10,108,495 | 6,820,174 |
| Line of credit available | <u>3,000,000</u> | <u>3,000,000</u> |
| Total financial assets and liquid resources at year end | <u>159,686,869</u> | <u>152,961,833</u> |
| Less: contractual or donor-imposed restrictions: | | |
| Restricted in perpetuity | (54,820,895) | (53,773,184) |
| Other donor restrictions | (29,940,651) | (30,056,362) |
| Investments in life-income funds | <u>(796,103)</u> | <u>(862,204)</u> |
| | (85,557,649) | (84,691,750) |
| Less: board designations unavailable to management without board approval: | | |
| Board-designated for quasi-endowment | (1,564,476) | (1,472,302) |
| Board-designated endowment for scholarship | (770,160) | (724,784) |
| Board-designated endowment for chairs and other | <u>(49,351,807)</u> | <u>(46,444,139)</u> |
| | <u>(51,686,443)</u> | <u>(48,641,225)</u> |
| Total financial assets and liquid resources available at year end | <u><u>\$ 22,442,777</u></u> | <u><u>\$ 19,628,858</u></u> |

As part of the College's liquidity management, it structures 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. 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 approval and appropriation process, amounts from its board-designated endowment could be made available if necessary.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 3 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable consisted of the following at June 30:

| | 2025 | 2024 |
|--|---------------------|---------------------|
| Due in one year or less | \$ 530,000 | \$ 5,030,000 |
| Due in one to five years | 3,938,916 | 4,246,005 |
| Total due | 4,468,916 | 9,276,005 |
| Present value discount (4.25% - 5.00%) | (1,139,733) | (1,146,874) |
| Contributions receivable, net | <u>\$ 3,329,183</u> | <u>\$ 8,129,131</u> |

The College expects to collect all of the amounts indicated above and, accordingly, has not provided an allowance for uncollectible pledges.

Net contributions receivable from one donor represented 94% and 97% of contributions receivable, as of June 30, 2025 and 2024, respectively.

NOTE 4 - NOTES RECEIVABLE, NET

The College makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs.

At June 30, student loans consisted of the following:

| | 2025 | 2024 |
|-----------------------------|-------------------|-------------------|
| Student loans and other | \$ 483,335 | \$ 631,695 |
| Allowance for credit losses | (100,000) | (100,000) |
| Notes receivable, net | <u>\$ 383,335</u> | <u>\$ 531,695</u> |

At June 30, the following amounts were past due under student loan programs:

| | 1 - 60 Days Past Due | 60 - 90 Days Past Due | 90+ Days Past Due | Total Past Due |
|------|-------------------------|--------------------------|----------------------|-------------------|
| 2025 | \$ 7,904 | \$ 3,471 | \$ 49,231 | \$ 60,606 |
| 2024 | 11,577 | 1,388 | 38,619 | 54,584 |

Allowances for credit losses are established based on prior collection experience, known and likely future events, supportable forecasts and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the federal Perkins Loan Program are assignable to the government; therefore, the allowance calculation is based on the probable credit loss for the institutional portion of the loans and a percentage of the portfolio that may not be assignable to the federal government.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 5 - INVESTMENTS

Investments consisted of the following at June 30:

| | 2025 | 2024 |
|--|-----------------------|-----------------------|
| Money market funds | \$ 3,043,698 | \$ 571,690 |
| Equity mutual and common trust funds | 63,048,225 | 60,607,335 |
| Fixed income mutual and common trust funds | 34,410,481 | 33,592,007 |
| Alternative investments | 25,020,842 | 19,143,514 |
| Annuity and other investments | 552,215 | 508,309 |
| | <u>\$ 126,075,461</u> | <u>\$ 114,422,855</u> |

Included in investments are monies received under charitable gift annuities of \$1,131,434 and \$1,114,585, and charitable remainder unitrusts of \$211,868 and \$375,955, of which the College controls the underlying assets as of June 30, 2025 and 2024, respectively.

Assets held within the endowment are pooled, on a market-value basis, with each individual fund subscribing to or disposing of units on the basis of the market value per unit. All expenses related to investment management are allocated to the fund groups.

NOTE 6 - FAIR VALUE MEASUREMENTS

The College measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize 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 below:

- 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. The types of investments classified as Level 1 include listed equities, U.S. government and agency obligations, and frequently traded corporate bonds;
- Level 2 - Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted market prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Level 2 includes investments in investment funds with underlying marketable securities; and
- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Fair value is often based on internally developed models in which there are few, if any, external observations. The valuation of the fund at fair value requires significant judgment in calculating the estimated value of the fund. The College's Level 3 assets include annuity investments, and beneficial interests in funds held in trust by others. The applicable level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

In addition to these three valuation methodologies, as a practical expedient, the College is permitted under U.S. GAAP to estimate the fair value of its investments with external managers using the external managers' reported net asset value ("NAV") without further adjustment unless the College expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with U.S. GAAP.

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 should maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments

Investments whose values are based on quoted market prices in active markets are classified as Level 1 inputs. These investments include mutual funds. Investments in alternative investments are valued based on NAVs provided by the investment managers.

Beneficial Interest in Trust

The College is not the trustee of three charitable remainder trusts in which the College is the beneficiary. The assets of these trusts are recorded at the net present value of the anticipated residual interest in the trusts with the discount rate adjusted for any market conditions, to arrive at fair value. These assets are classified as Level 3 due to actuarial assumptions used as a component of calculating the residual interest, which are not observable in an active market. Values reflect the underlying value of the investments which are primarily publicly traded securities.

The following table sets forth the financial assets and liabilities reported at fair value, measured on a recurring basis as of June 30, 2025:

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at NAV | Total |
|-------------------------------|---|---|--|----------------------|-----------------------|
| Assets | | | | | |
| Mutual funds: | | | | | |
| Money market | \$ 3,043,698 | \$ - | \$ - | \$ - | \$ 3,043,698 |
| Equity funds | 63,048,225 | - | - | - | 63,048,225 |
| Fixed income funds | 34,410,481 | - | - | - | 34,410,481 |
| Alternative investments | - | - | - | 25,020,842 | 25,020,842 |
| Annuity and other investments | - | 340,347 | 211,868 | - | 552,215 |
| Subtotal investments | 100,502,404 | 340,347 | 211,868 | 25,020,842 | 126,075,461 |
| Beneficial interest in trusts | - | - | 3,230,742 | - | 3,230,742 |
| Total assets | <u>\$ 100,502,404</u> | <u>\$ 340,347</u> | <u>\$ 3,442,610</u> | <u>\$ 25,020,842</u> | <u>\$ 129,306,203</u> |

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following table sets forth the financial assets and liabilities reported at fair value, measured on a recurring basis as of June 30, 2024:

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at NAV | Total |
|-------------------------------|---|---|--|--------------------|----------------|
| Assets | | | | | |
| Mutual funds: | | | | | |
| Money market | \$ 571,690 | \$ - | \$ - | \$ - | \$ 571,690 |
| Equity funds | 60,607,335 | - | - | - | 60,607,335 |
| Fixed income funds | 33,592,007 | - | - | - | 33,592,007 |
| Alternative investments | - | - | - | 19,143,514 | 19,143,514 |
| Annuity and other investments | - | 132,354 | 375,955 | - | 508,309 |
| Subtotal investments | 94,771,032 | 132,354 | 375,955 | 19,143,514 | 114,422,855 |
| Beneficial interest in trusts | - | - | 3,186,254 | - | 3,186,254 |
| Total assets | \$ 94,771,032 | \$ 132,354 | \$ 3,562,209 | \$ 19,143,514 | \$ 117,609,109 |

Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the years ended June 30, 2025 and 2024:

| | Beneficial Interest in a Trust | |
|-------------------|--------------------------------|--------------|
| | 2025 | 2024 |
| Beginning balance | \$ 3,186,254 | \$ 3,003,704 |
| Net gain | 44,488 | 182,550 |
| Ending balance | \$ 3,230,742 | \$ 3,186,254 |

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended June 30, 2025 and 2024, there were no transfers in or out of Level 1, 2 or 3.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The following tables set forth the liquidity, redemption policies and unfunded commitments of the College's financial assets that were accounted for at fair values calculated by using NAV per share or its equivalents as of June 30, 2025 and 2024, respectively.

| 2025 | | | | | |
|-------------------------|----------------------|----------------------|----------------------|--------------------------|--------------|
| Investments | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Restrictions |
| Alternative investments | <u>\$ 25,020,842</u> | <u>\$ 5,848,767</u> | See below | See below | See below |
| 2024 | | | | | |
| Investments | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period | Restrictions |
| Alternative investments | <u>\$ 19,143,514</u> | <u>\$ 4,529,831</u> | See below | See below | See below |

Alternative investments consist of a limited partnership and two private equity programs.

The limited partnership is primarily long-only equity managers who run concentrated portfolios of equities. Redemption is available quarterly with 90-day notice. Redemptions can be limited in the event that there are significant redemptions in a short period of time.

The private equity funds are diversified across buy-out, growth, and venture capital. The term is 12 years with one-year extension possible. No redemptions are permitted during the fund term.

NOTE 7 - LAND, BUILDINGS AND EQUIPMENT, NET

Land, buildings and equipment consisted of the following at June 30:

| | 2025 | 2024 | Estimated Year |
|----------------------------|----------------------|----------------------|----------------|
| Land and land improvements | \$ 16,229,002 | \$ 15,612,300 | 35 - 50 years |
| Buildings and improvements | 137,370,172 | 134,308,345 | 35 - 50 years |
| Furniture and equipment | 38,264,630 | 37,304,304 | 5 - 8 years |
| Construction in progress | <u>3,330,843</u> | <u>469,144</u> | N/A |
| | 195,194,647 | 187,694,093 | |
| Accumulated depreciation | <u>(148,618,548)</u> | <u>(144,417,288)</u> | |
| | <u>\$ 46,576,099</u> | <u>\$ 43,276,805</u> | |

Certain of the College's assets have been pledged as collateral under debt agreements.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 8 - LONG-TERM DEBT AND INTEREST RATE SWAP AGREEMENTS

Notes Payable

Revenue Note

In June 2023, the College issued Massachusetts Development Finance Agency ("MDFA") Series 2023 Revenue Bond ("Revenue Bond") through a private placement with a bank. The Revenue Bond carries a naturally fixed interest rate of 4.61%, with final maturity on June 1, 2053. Under the terms of the agreement, the College is required to make interest-only payments through June 2026 after which the loan converts to an amortizing obligation with monthly principal and interest payments based on a 30-year amortization schedule. The bank's holding period is for 10 years from issuance after which time the Revenue Bond is required to be remarketed at the outstanding balance as of that date. The balance of the Revenue Bond payable was \$15,000,000 at June 30, 2025 and 2024.

The agreements related to the Revenue Bond contain certain financial covenants which provide for, among other things, a liquidity ratio requirement. The College was in compliance with these covenants as of June 30, 2025.

Construction Note

On July 1, 2018, the College borrowed \$2,500,000 from a vendor to fund certain capital improvements. The note was provided free of interest and is payable in annual installments of approximately \$162,037. The construction note payable balance as of June 30, 2024 was \$1,458,333. In June 2024, the vendor agreement was terminated, and the borrowing became due and was reclassified to accounts payable and accrued expenses at June 30, 2024.

In conjunction with the termination of the 2018 construction note, on July 1, 2024, the College borrowed \$1,375,000 from a vendor to facilitate the payoff of the 2018 note. The note was provided free of interest and is payable in monthly installments over five years of approximately \$22,917. The note payable balance as of June 30, 2025 was \$1,375,000, and the College began making payments on the note payable in October 2025.

Forgivable Loan

In April 2020, the College was granted a loan (the "Loan") from Citizen's Bank in the aggregate amount of \$7,046,037, pursuant to the PPP under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

The Loan, which was in the form of a note dated April 23, 2020, bore interest at a rate of 1.00% per annum. Funds from the Loan could only be used for certain costs, such as payroll costs and occupancy expenses. The College used the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan could be forgiven if they are used for qualifying expenses as described in the CARES Act. The forgiveness application was submitted to the lender requesting forgiveness for the entirety of the Loan in July 2021. In April 2022, the Small Business Administration's ("SBA") denied the forgiveness of this loan. An appeal was filed with the SBA's Office of Hearing and Appeals ("OHA") in May 2022. The OHA Administrative Judge denied that appeal in January 2023, and that decision became the final decision of the SBA in February 2023. The College sought review of this final SBA decision in the United States District Court for the District of Columbia by filing a Petition for Judicial Review and Complaint for Declaratory Relief in March 2023. The College filed a First Amended Petition for Judicial Review and Complaint for Declaratory and Injunctive Relief in September 2023. The proceedings in U.S. District Court are currently ongoing.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The Loan balance as of June 30, 2025 and 2024, was \$7,046,037 and was included in long-term debt for the years then ended, in the accompanying statements of financial position.

The aggregate scheduled maturities of long-term debt, excluding the PPP loan as of June 30, 2025 are as follows:

| | |
|---------------------------------------|-----------------------------|
| 2026 | \$ 550,000 |
| 2027 | 559,180 |
| 2028 | 570,869 |
| 2029 | 586,880 |
| 2030 | 326,774 |
| Thereafter | <u>13,781,297</u> |
| Total | 16,375,000 |
| Less: unamortized debt issuance costs | <u>(245,440)</u> |
| Long-term debt, net | <u><u>\$ 16,129,560</u></u> |

No payments are due on the PPP Loan until after the federal court proceeding is concluded. If the District Court rules against the College, the College will need to consider possible appeals and College may be required to make monthly principal and interest payments such that the Loan is repaid by the maturity date.

Line of Credit

In June 2023, in conjunction with the Revenue Bond issuance, the College entered into a revolving line of credit agreement with a bank, which allows for borrowings of up to \$3,000,000. Outstanding borrowings are due on demand and bear interest at one month term SOFR plus 2.2% but in no event shall the interest rate be less than 3.5% (6.72% at June 30, 2025). There have been no draws on the line of credit since the inception of the agreement.

The revenue note and the line of credit are secured by certain real estate owned by the College.

NOTE 9 - ENDOWMENTS

The College's endowments consist of individual funds established for a variety of purposes. Its endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as quasi-endowments.

Interpretation of Relevant Law

The College has continued to follow its policy, under the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), of requiring the preservation of the original value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions: (a) the original value of gifts donated to permanent endowment, (b) the original value of subsequent gifts to permanent endowment, if any, and (c) accumulations to 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. The remaining portion of the donor-restricted endowment funds are classified as net assets with donor restrictions until they are appropriated for expenditure in a manner consistent with the donor's intentions, the College's spending policy and in a manner consistent with the standard of prudence prescribed by UPMIFA.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Spending Policy

Distributions from endowment funds are made using the total return method. Under the total return method, distributions consist of interest, dividends and realized and unrealized gains on investment securities. The Board of Trustees has established a spending rate as a percentage of the three-year rolling average of the fair market value of the temporarily and permanently restricted endowment investments. The spending rate was 8% and 7% for both Quasi and Restricted for the years ended June 30, 2025 and 2024, respectively. Net assets are released from restriction up to this spending rate.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor requires the College to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are then reported in net assets with donor restrictions. In the event that a donor-restricted endowment fund is in a deficiency, the spending rate for that fiscal year is taken only to the extent of current year's net interest and dividend income for that fund. Over time, these may reverse due to appreciation of the underlying investments. Deficiencies of this nature exist in three donor-restricted endowment funds, which together have an original value of \$150,151, a current fair value of \$147,173 and a deficiency of \$2,978 as of June 30, 2024. There was no deficiency as of June 30, 2025.

Endowment Investment Policy

The College has adopted an investment philosophy that attempts 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 organization must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Under this approach, as approved by the Board of Trustees, the endowment assets are invested in a manner intended to produce results similar to a weighted index with a 70% weight to equities (MSCI All Country World Index) and a 30% weight to fixed income (Bloomberg Barclays US Aggregate Index) assuming a moderate level of investment risk. The College expects its endowment funds to generate a 4% annualized real return over a long-term time horizon. The real return is defined as the total return less the Consumer Price Index. Actual returns in any given year may vary from this amount.

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 College determined it was not capable of independently managing the investment portfolio and that outsourcing of the management was clearly the best course. Generally, four types of investments have been explored over the years and have included the following types: equity funds, fixed income funds, limited partnerships, and money market funds. The principal objective is to generate a total return over a full-market cycle, which exceeds the benchmark and also acknowledges the need to preserve capital.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

Endowment fund net assets activity consisted of the following during the year ended June 30, 2025:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Net assets, beginning of year | \$ 48,641,225 | \$ 66,449,141 | \$ 115,090,366 |
| Investment return | 6,546,534 | 8,690,393 | 15,236,927 |
| Additions | - | 1,488,996 | 1,488,996 |
| Appropriation of endowment assets for operations (draw) | (3,501,316) | (4,422,529) | (7,923,845) |
| Other changes | - | 51,628 | 51,628 |
| Net assets, end of year | <u>\$ 51,686,443</u> | <u>\$ 72,257,629</u> | <u>\$ 123,944,072</u> |

Endowment fund net assets activity consisted of the following during the year ended June 30, 2024:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|-------------------------------|----------------------------|-----------------------|
| Net assets, beginning of year | \$ 45,494,828 | \$ 60,093,151 | \$ 105,587,979 |
| Investment return | 6,091,606 | 7,864,863 | 13,956,469 |
| Additions | - | 1,921,228 | 1,921,228 |
| Appropriation of endowment assets for operations (draw) | (2,945,209) | (3,612,651) | (6,557,860) |
| Other changes | - | 182,550 | 182,550 |
| Net assets, end of year | <u>\$ 48,641,225</u> | <u>\$ 66,449,141</u> | <u>\$ 115,090,366</u> |

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 10 - NET ASSETS

Net assets are available for the following purposes as of June 30:

| | 2025 | 2024 |
|---|-----------------------|-----------------------|
| Without donor restrictions | | |
| Undesignated | \$ 27,067,964 | \$ 25,066,349 |
| Board-designated endowment/quasi-endowment | 51,686,443 | 48,641,225 |
| Subtotal without donor restrictions | 78,754,407 | 73,707,574 |
| With donor restrictions (purpose or time restricted) | | |
| Scholarships, grants and other | 5,797,508 | 5,331,803 |
| Buildings and equipment | - | 691,960 |
| Accumulated unspent gains on endowment | 17,436,734 | 12,675,957 |
| Annuity and unitrust agreements | 913,294 | 786,438 |
| Contributions receivable | 3,299,183 | 8,076,272 |
| Beneficial interest in trusts/split-interest agreements | 2,493,932 | 2,493,932 |
| | 29,940,651 | 30,056,362 |
| With donor restrictions (restricted in perpetuity) | | |
| Endowment | 54,054,086 | 53,028,003 |
| Pledges receivable (net) | 30,000 | 52,859 |
| Beneficial interest in trusts/split-interest agreements | 736,809 | 692,322 |
| | 54,820,895 | 53,773,184 |
| Subtotal with donor restrictions | 84,761,546 | 83,829,546 |
| | <u>\$ 163,515,953</u> | <u>\$ 157,537,120</u> |

Net assets released from restrictions were released for the following purposes:

| | 2025 | 2024 |
|------------------------------------|----------------------|----------------------|
| Time restrictions (pledges) | \$ 4,777,089 | \$ 5,000,000 |
| Education and general expenditures | 4,141,306 | 6,996,904 |
| Campus additions and improvements | 1,896,958 | 489,058 |
| Auxiliary operating expenses | 187,435 | 351,265 |
| | <u>\$ 11,002,788</u> | <u>\$ 12,837,227</u> |

NOTE 11 - DEFINED CONTRIBUTION PLAN

The College participates in a defined contribution plan, which covers all eligible employees. Contributions to the plan are made by participants. The College suspended contributions as of July 2020 and reinstated a 2% employer match effective July 2024. Contributions to the plan by the College were \$465,712 during the year ended June 30, 2025.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Lease Commitments

The College leases certain property, equipment, and vehicles under operating and finance leases expiring through 2028.

Future minimum lease payments under leases as of June 30, 2025 are as follows:

| <u>Year Ending June 30:</u> | <u>Operating</u> | <u>Financing</u> | <u>Total</u> |
|-------------------------------------|------------------|------------------|--------------|
| 2026 | \$ 37,440 | \$ 525,835 | \$ 563,275 |
| 2027 | 37,440 | 190,183 | 227,623 |
| 2028 | 3,120 | 97,719 | 100,839 |
| 2029 | - | 28,334 | 28,334 |
| 2030 | - | 4,755 | 4,755 |
| | <hr/> | <hr/> | <hr/> |
| Total minimum lease payments | 78,000 | 846,826 | 924,826 |
| Less: amounts representing interest | (4,064) | (82,808) | (86,872) |
| | <hr/> | <hr/> | <hr/> |
| | \$ 73,936 | \$ 764,018 | \$ 837,954 |
| | <hr/> | <hr/> | <hr/> |

Supplemental information related to leases:

| | |
|---------------------------------------|------------|
| Weighted-average remaining lease term | 2.31 years |
| Weighted-average discount rate | 6.98% |

Contingencies

In conducting its activities, the College from time to time is the subject of various claims. Management believes that the ultimate resolution of any such claims would not have a material adverse effect on the financial position of the College.

All funds expended by the College in connection with government grants are subject to review or audit by governmental agencies. Management believes that any claims resulting from such reviews or audits would not have a material adverse effect on the financial position of the College.

Employee Retention Tax Credits

During the year ended June 30, 2024, the College applied for Employee Retention Tax Credits ("ERTC") payments of approximately \$9,355,000. The ERTC program was established under the Coronavirus Aid, Relief and Economic Security ("CARES") Act of 2020. To be eligible, the College must meet certain conditions as described in applicable laws and regulations. Final eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. Accordingly, if approved for ERTCs revenue from these credits will be recognized as revenue after satisfactory audit by the Internal Revenue Service, or when the statute of limitations for such an audit expires. As such, the College has not recorded any revenue related to these credits.

In October 2025, the College received approximately \$3,500,000 of ERTC payments, including interest.

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 13 - RELATED PARTY TRANSACTIONS

Members of the Board of Trustees and executive administration may be associated, either directly or indirectly, with entities doing business with the College. The College has conflict of interest policies that require any such association, including those of immediate family members, to be disclosed on an annual basis. When such associations exist, efforts are taken to mitigate any actual or perceived conflict. The College believes that there were no related party transactions that were not effectively mitigated for the fiscal years ended June 30, 2025 and 2024.

Related party transactions during the years ended June 30, 2025 and 2024, consisted of contributions received from Board of Trustees members and totaled \$1,361,006 and \$2,186,465, respectively.

NOTE 14 - FUNCTIONAL EXPENSES

The College's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student services, and academic support are incurred in support of this program activity. Natural expenses attributable to more than one functional expense category are allocated based on percentage of effort, usage, square footage, and other criteria.

Operating expenses by natural classification for the years ended June 30 were as follows:

| <u>2025</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
|--------------------------|----------------------|---|------------------------|----------------------|
| Salaries and benefits | \$ 26,594,663 | \$ 8,143,501 | \$ 1,552,798 | \$ 36,290,962 |
| Supplies and services | 18,070,253 | 1,436,012 | 527,144 | 20,033,409 |
| Travel and entertainment | 2,553,213 | 78,726 | 63,826 | 2,695,765 |
| Depreciation | 4,491,197 | 256,391 | 13,306 | 4,760,894 |
| Interest | 565,791 | 135,313 | - | 701,104 |
| | <u>\$ 52,275,117</u> | <u>\$ 10,049,943</u> | <u>\$ 2,157,074</u> | <u>\$ 64,482,134</u> |
| <u>2024</u> | <u>Program</u> | <u>Management & General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries and benefits | \$ 24,453,008 | \$ 7,580,425 | \$ 1,765,896 | \$ 33,799,329 |
| Supplies and services | 17,375,155 | 1,821,462 | 643,675 | 19,840,292 |
| Travel and entertainment | 2,169,831 | 75,034 | 96,718 | 2,341,583 |
| Depreciation | 4,497,242 | 282,298 | 54,125 | 4,833,665 |
| Interest | 507,929 | 136,651 | - | 644,580 |
| | <u>\$ 49,003,165</u> | <u>\$ 9,895,870</u> | <u>\$ 2,560,414</u> | <u>\$ 61,459,449</u> |

Gordon College

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

NOTE 15 - SUBSEQUENT EVENTS

In connection with the preparation of these financial statements, the College has evaluated events and transactions through October 28, 2025, which is the date the financial statements were issued.

The College will be the beneficiary of a \$40,000,000 testamentary gift from the Stephen Adams Estate for the purpose of building a music facility. The initial commitment was made in 2019, and Mr. Adams death occurred in 2024. Management anticipates that the funds will be released as they are spent during the build process, set to commence in Spring 2026.