# Consolidated Financial Statements

# Salve Regina University

**June 30, 2026 and 2025**



# SALVE REGINA UNIVERSITY

## *Consolidated Financial Statements*

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# Independent Auditors' Report

The Board of Trustees
**Salve Regina University**

## *Opinion*

We have audited the consolidated financial statements of Salve Regina University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2026 and 2025, 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 in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University 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 Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

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

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audits.

- identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.

- obtain an understanding of internal control relevant to the audits 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 University'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 consolidated financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University'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.

CBIZ CPAs P.C.

Providence, Rhode Island
October 9, 2026

## SALVE REGINA UNIVERSITY

### *Consolidated Statements of Financial Position*

| | June 30, 2026 | 2025 |
|---|---|---|
| | (in thousands) | |
| **Assets** | | |
| Cash | $ 1,403 | $ 1,898 |
| Short-term investments | 25,767 | 19,198 |
| Student and other accounts receivable - less allowance for credit losses of student accounts of $2,881 and $2,758 in 2026 and 2025, respectively | 2,733 | 2,071 |
| Loans and notes receivable - less allowance for credit losses of $314 and $334 in 2026 and 2025, respectively | 1,006 | 1,003 |
| Pledges receivable - less allowance for doubtful accounts of $450 and $809 in 2026 and 2025, respectively | 8,543 | 13,619 |
| Investments | 124,116 | 109,453 |
| Deposits with bond trustee | 10,392 | 33,059 |
| Other assets | 3,218 | 2,670 |
| Right-of-use asset - operating leases | 929 | 1,272 |
| Right-of-use asset - finance leases | 652 | 744 |
| Land, buildings and equipment, net | 118,758 | 93,875 |
| **Total assets** | **$ 297,517** | **$ 278,862** |
| **Liabilities and Net Assets** | | |
| Liabilities: | | |
| Accounts payable | $ 5,598 | $ 4,862 |
| Accrued liabilities | 6,936 | 6,266 |
| Deposits and deferred revenue | 10,658 | 6,059 |
| Obligations under operating leases | 937 | 1,258 |
| Obligations under finance leases | 677 | 758 |
| Long-term debt, net | 60,460 | 62,820 |
| Refundable advances from government for student loans | 613 | 641 |
| **Total liabilities** | **85,879** | **82,664** |
| Net assets: | | |
| Without donor restrictions | 147,832 | 138,793 |
| With donor restrictions | 63,806 | 57,405 |
| **Total net assets** | **211,638** | **196,198** |
| **Total liabilities and net assets** | **$ 297,517** | **$ 278,862** |

*See accompanying notes to the consolidated financial statements.*

## SALVE REGINA UNIVERSITY

### *Consolidated Statement of Activities*

***Year Ended June 30, 2026***
***(with comparative totals for 2025)***

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total 2026* | *Total 2025* |
|---|---|---|---|---|
| | | *(in thousands)* | | |
| Operating revenues and other support: | | | | |
| Tuition and fees (less discount of $61,494 and $57,188 in 2026 and 2025, respectively) | $ 54,023 | $ - | $ 54,023 | $ 54,035 |
| Room and board | 24,182 | - | 24,182 | 22,883 |
| **Net tuition, fees, room and board** | **78,205** | **-** | **78,205** | **76,918** |
| Gifts, grants and contracts | 1,011 | 116 | 1,127 | 1,271 |
| Federal and state government grants | 1,947 | - | 1,947 | 1,285 |
| Investment income appropriated | 4,308 | 198 | 4,506 | 5,233 |
| Unrestricted investment income | 883 | - | 883 | 795 |
| Other support | 627 | - | 627 | 554 |
| Auxiliary enterprises | 2,362 | - | 2,362 | 1,952 |
| Net assets released from restrictions | 653 | (653) | - | - |
| **Total operating revenues and other support** | **89,996** | **(339)** | **89,657** | **88,008** |
| Operating expenses: | | | | |
| Program: | | | | |
| Instruction | 29,344 | - | 29,344 | 28,110 |
| Research | 677 | - | 677 | 620 |
| Academic support | 7,342 | - | 7,342 | 7,261 |
| Student services | 17,391 | - | 17,391 | 17,296 |
| Auxiliary enterprises | 19,112 | - | 19,112 | 17,648 |
| **Total program expenses** | **73,866** | **-** | **73,866** | **70,935** |
| Management, general, and fundraising | 15,948 | - | 15,948 | 16,879 |
| **Total operating expenses** | **89,814** | **-** | **89,814** | **87,814** |
| **Change in net assets from operations** | **182** | **(339)** | **(157)** | **194** |
| Non-operating income (expense): | | | | |
| Gifts and grants | 65 | 4,318 | 4,383 | 12,965 |
| Return on investments | 11,602 | 4,685 | 16,287 | 10,706 |
| Investment return appropriated to operations | (4,308) | (198) | (4,506) | (5,233) |
| Loss on retirement of assets | - | - | - | (621) |
| Other income | 420 | - | 420 | 307 |
| Change in value of split interest and other agreements | - | 177 | 177 | 44 |
| Other net assets released from restrictions | 1,280 | (1,280) | - | - |
| Expenses | (202) | (962) | (1,164) | (1,204) |
| **Non-operating income, net** | **8,857** | **6,740** | **15,597** | **16,964** |
| **Change in net assets** | **9,039** | **6,401** | **15,440** | **17,158** |
| Net assets at beginning of year | 138,793 | 57,405 | 196,198 | 179,040 |
| **Net assets at end of year** | **$ 147,832** | **$ 63,806** | **$ 211,638** | **$ 196,198** |

*See accompanying notes to the consolidated financial statements.*

## SALVE REGINA UNIVERSITY

### *Consolidated Statement of Activities*

***Year Ended June 30, 2025***

| | *Without Donor Restrictions* | *With Donor Restrictions* | *Total 2025* |
|---|---|---|---|
| | | *(in thousands)* | |
| Operating revenues and other support: | | | |
| Tuition and fees (less discount of $57,188) | $ 54,035 | $ - | $ 54,035 |
| Room and board | 22,883 | - | 22,883 |
| **Net tuition, fees, room and board** | **76,918** | **-** | **76,918** |
| Gifts, grants and contracts | 1,207 | 64 | 1,271 |
| Federal and state government grants | 1,285 | - | 1,285 |
| Investment income appropriated | 5,167 | 66 | 5,233 |
| Unrestricted investment income | 795 | - | 795 |
| Other support | 554 | - | 554 |
| Auxiliary enterprises | 1,952 | - | 1,952 |
| Net assets released from restrictions | 500 | (500) | - |
| **Total operating revenues and other support** | **88,378** | **(370)** | **88,008** |
| Operating expenses: | | | |
| Program: | | | |
| Instruction | 28,110 | - | 28,110 |
| Research | 620 | - | 620 |
| Academic support | 7,261 | - | 7,261 |
| Student services | 17,296 | - | 17,296 |
| Auxiliary enterprises | 17,648 | - | 17,648 |
| **Total program expenses** | **70,935** | **-** | **70,935** |
| Management, general, and fundraising | 16,879 | - | 16,879 |
| **Total operating expenses** | **87,814** | **-** | **87,814** |
| **Change in net assets from operations** | **564** | **(370)** | **194** |
| Non-operating income (expense): | | | |
| Gifts and grants | 1,733 | 11,232 | 12,965 |
| Return on investments | 8,310 | 2,396 | 10,706 |
| Investment return appropriated to operations | (5,167) | (66) | (5,233) |
| Loss on retirement of assets | (621) | - | (621) |
| Other income | 307 | - | 307 |
| Change in value of split interest and other agreements | 4 | 40 | 44 |
| Other net assets released from restrictions | 673 | (673) | - |
| Expenses | (824) | (380) | (1,204) |
| **Non-operating income, net** | **4,415** | **12,549** | **16,964** |
| **Change in net assets** | **4,979** | **12,179** | **17,158** |
| Net assets at beginning of year | 133,814 | 45,226 | 179,040 |
| **Net assets at end of year** | **$ 138,793** | **$ 57,405** | **$ 196,198** |

*See accompanying notes to the consolidated financial statements.*

## SALVE REGINA UNIVERSITY

### *Consolidated Statements of Cash Flows*

| | *Years Ended June 30,* | |
|---|---|---|
| | *2026* | *2025* |
| | *(in thousands)* | |
| **Cash flows from operating activities:** | | |
| Change in net assets | $ 15,440 | $ 17,158 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,107 | 7,024 |
| Amortization of right-of-use asset - operating leases | 343 | 366 |
| Amortization of right-of-use asset - finance leases | 209 | 186 |
| Change in reserve on receivables | (256) | (752) |
| Change in pledge discounts | (649) | 220 |
| Net realized and unrealized investment gains | (15,352) | (10,153) |
| Loss on retirement of assets | - | 621 |
| Contributions restricted for long-term investments | (2,365) | (5,413) |
| Changes in operating assets and liabilities: | | |
| Pledges receivable | 6,084 | (2,994) |
| Accounts receivable | (785) | (808) |
| Other assets | (548) | (217) |
| Accounts payable, accrued liabilities, deposits and deferred revenue | 5,999 | 1,561 |
| Obligations under operating leases | (321) | (380) |
| **Net cash provided by operating activities** | **14,906** | **6,419** |
| **Cash flows from investing activities:** | | |
| Purchase and construction of land, buildings and equipment | (31,922) | (9,048) |
| Purchases of investments | (65,656) | (89,085) |
| Proceeds from sales of investments | 59,776 | 85,894 |
| Student loans issued | (211) | (181) |
| Proceeds from student loans | 228 | 224 |
| **Net cash used in investing activities** | **(37,785)** | **(12,196)** |
| **Cash flows from financing activities:** | | |
| Issuance of debt | - | 35,675 |
| Bond issuance costs | - | (24) |
| Proceeds from contributions restricted for long-term investments | 2,365 | 5,413 |
| Repayment of long-term debt and finance leases | (2,620) | (2,531) |
| Change in government advances for student loans | (28) | (72) |
| **Net cash provided by (used in) financing activities** | **(283)** | **38,461** |
| **Increase (decrease) in cash and restricted cash** | **(23,162)** | **32,684** |
| Cash, and restricted cash beginning | 34,957 | 2,273 |
| **Cash, and restricted cash ending** | **$ 11,795** | **$ 34,957** |
| **Supplemental disclosures:** | | |
| Cash paid during the year for interest | $ 2,561 | $ 1,036 |
| Land, buildings and equipment purchases included in accounts payable | $ 3,100 | $ 3,094 |
| Bond issuance costs incurred with debt financing | $ - | $ 325 |
| Non-cash right-of-use asset additions | $ 117 | $ 1,002 |

*See accompanying notes to the consolidated financial statements.*

# SALVE REGINA UNIVERSITY

## *Notes to Consolidated Financial Statements*

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies*

Salve Regina University (the "University"), located in Newport, Rhode Island, is a small comprehensive Catholic university which opened in 1947 and is accredited by the New England Commission of Higher Education, Inc. The University was founded by and continues to be sponsored by the Sisters of Mercy. The University enrolls approximately 2,700 men and women in a variety of academic programs. The University's student population is predominately from the Northeast region of the United States. The undergraduate programs are based on the liberal arts. The University offers Baccalaureate and Master degrees, a Certificate of Advanced Graduate Study and a Ph.D. in Humanities and International Relations.

The University participates in student financial aid programs sponsored by the United States Department of Education and, to a lesser extent, the United States Department of Health and Human Services, which facilitate the payment of tuition and other expenses for students.

A summary of the accounting policies consistently applied in the consolidated financial statements follows:

#### *Financial Statement Presentation*

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

#### *Principles of Consolidation*

The consolidated financial statements include the accounts of Salve Regina University and its subsidiary, SRU Holdings, LLC ("Holdings"). The University is the sole and controlling member of Holdings. All intercompany accounts and transactions have been eliminated in consolidation. Holdings is a Rhode Island Limited Liability Company whose purpose is to acquire and hold real estate for the benefit and use of the University while keeping such property on local tax rolls.

#### *Cash*

The University maintains cash balances at financial institutions which, at times, may exceed federally insured limits. The University monitors its exposure associated with cash and has not experienced any losses in such accounts. Cash held by investment managers are considered part of investments. Included in cash is a restricted account of $1,237,900 and $1,381,600 at June 30, 2026 and 2025, respectively, related to the University's self-insured benefit plan. The following provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

| | ***2026*** | ***2025*** |
|---|---|---|
| Cash | $ 1,403 | $ 1,898 |
| Deposits with bond trustees | 10,392 | 33,059 |
| **Total cash and restricted cash shown in consolidated statements of cash flow** | **$ 11,795** | **$ 34,957** |

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Short-Term Investments*

Short-term investments include certificates of deposit and money market funds. Management reports short-term investments at fair value as determined per the fair value policies later in this section. These investments are not part of the long-term investment portfolio. Certain of these amounts are subject to the same Federal insurance limits as described in the cash policy above.

#### *Accounts Receivable*

Students are billed based on dates outlined in the academic catalog as agreed to in advance of the delivery of the related academic or auxiliary activity. Payments for tuition, fees and auxiliary enterprises charges are generally due by the start of the academic period with the recognition that on behalf payments being made by the DOE or others are subject to specific requirements within those programs as to when those funds can be availed. Certain DOE funding can be availed prior to the commencement of the academic period, while other amounts are paid at specified intervals based on the rules as promulgated by the DOE. Thus cash flows on accounts receivable balances and the measurement of deferred revenues do not directly depend on meeting specified performance obligations of the University. Student accounts are not collateralized.

Student accounts and loans receivable are stated net of expected credit losses. Credit is extended on an unsecured basis in accordance with terms established for individual students. The University estimates expected credit losses over the life of its financial assets and certain off-balance sheet exposures as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts. The University records the estimate of expected credit losses as an allowance for credit losses. An account is considered uncollectible when all efforts to collect the account have been exhausted.

#### *Loans and Notes Receivable*

Loans and notes receivable are funds loaned to students by the University and funds advanced by the University via the Federal Perkins Loan Program (“Perkins”) and the Nursing Student Loans Program (“Nursing”). When loans are collected, they are held in a fund to be loaned to future students or returned to the DOE when otherwise required. Funds advanced by the DOE are reflected as a liability as they are subject to return. Reserves are provided based on management's assessment of credit risk and payment status of the loans, but reserve requirements are mitigated by the ability to assign defaulted loans back to the DOE. Management has omitted detailed disclosures given the limited amounts involved.

#### *Pledges Receivable*

Unconditional promises to give are recorded at fair value when initially pledged based on expected cash flows using Level 2 fair value methods. For pledges expected to be collected in one year or more, a risk adjusted present value factor is applied to the inherent risk associated with the expected future cash flows. Amortization of the discount is included in gift and grant revenue. Management periodically estimates the allowance by a review of historical experience and a specific review of collection trends that differ from the plan on individual accounts. Conditional promises to give are not included as support until the conditions are substantially met.

***Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)***

***Investments***

Investments are carried at fair value. Fair value is determined as per the fair value policies described later in this section. Net investment return (loss) is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

The investment objective of the University is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board approved spending policy and to increase investment values after inflation. Major investment decisions are authorized by the Investment Subcommittee of the Board of Trustees that oversees the University's investments mindful of diversification among asset classes.

Investments also include non-operating investments in real estate.

***Fair Value Measurements***

The University reports certain assets and liabilities at fair value on a recurring and non-recurring basis depending on the underlying accounting policy for the particular item in accordance with fair value standards. Fair value is defined as 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. Recurring fair value measures include the University's investment accounts and deposits with trustees. Non-recurring measures include pledges. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the University reports certain investments using the Net Asset Value ("NAV") per share as determined by investment managers under the so called "practical expedient." The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Fair value standards also require the University to classify financial instruments (but for those measured using NAV) into a three-level hierarchy, based on the priority of inputs to the valuation technique.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

*Level 1* – inputs are quoted prices in active markets for identical assets or liabilities that the University has the ability to access at measurement date.

*Level 2* – inputs are other than quoted prices included in Level 1 that are either directly or indirectly observable.

*Level 3* – inputs are derived from valuation methodologies, including pricing models, discounted cash flow models and similar techniques, and are not based on market, exchange, dealer, or broker-traded transactions. In addition, Level 3 valuations incorporate assumptions and projections that are not observable in the market and significant professional judgment is required in determining the fair value assigned to such assets or liabilities.

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Fair Value Measurements (Continued)*

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these consolidated financial statements. For more information on the fair value of the University's financial instruments, see Note 4 - Investments and Fair Value Measurements.

#### *Other Assets*

Other assets consist of prepaid expenses, deposits with trustees, the University's interest in self-insurance captives, and the University's beneficial interest in remainder trust.

##### *Beneficial Interest in Remainder Trust*

The University records its beneficial interest in remainder trusts at fair value. These instruments include the periodic evaluation of fair value which includes consideration of the present value of the aggregate liability to the beneficiaries based upon their life expectancy which is periodically updated as well as the use of a discount rate over the life of the trust. The initially recorded fair values of the donated investments are determined based on the underlying nature of the investments received, which have generally represented Level 1 measurements. The University has recorded other assets of $776,300 and $574,800 and accrued liabilities of $214,700 and $216,000 related to beneficial interests in remainder trusts at June 30, 2026 and 2025, respectively.

#### *Deposits with Bond Trustee*

Deposits with bond trustee consist of amounts required under a loan agreement (see Note 7) for debt service reserves and a bond proceeds project fund. These amounts are held in interest bearing cash accounts at June 30, 2026 and 2025.

#### *Leases*

The University leases equipment under operating lease arrangements through 2030 for which expense is recognized on a straight-line basis over the lease term.

Right-of-use ("ROU") assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the University's leases do not provide an implicit rate, the University uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments.

***Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)***

***Land, Buildings and Equipment***

Land, buildings and equipment with a useful life greater than one year that exceed a management established capitalization threshold are recorded at cost or fair value at date of donation in the case of gift assets. Donated fixed assets are recorded using Level 2 or Level 3 fair value approaches. Long-lived fixed assets, with the exception of land, are depreciated using the straight-line method over their estimated useful lives, which range from three to sixty years.

***Accrued Liabilities***

Included in accrued liabilities is a reserve for health care costs associated with incurred claims associated with the University's self-insured benefits for its employees. In connection with the program, management utilizes a stop loss insurance policy to manage its risk and exposure to larger and catastrophic claims. Also included in accrued liabilities are accrued payroll, vacation, and sick pay.

***Deposits and Deferred Revenue***

Deposits and deferred revenue relate to reservation deposits for future enrollment, unearned revenue associated with in process programs and upcoming events at year end, other advances and student activity funds, and unearned revenue under a rental agreement associated with certain property rented to a third party. Substantially all amounts included in student deposits and deferred tuition revenue are recognized in the subsequent fiscal year. The remaining performance obligation for tuition related items is time driven given the academic calendar that underlies the earnings process for tuition, fees and auxiliary revenue or date driven in the event of events. There were no significant changes to deferred revenue amounts on a quantitative or qualitative basis. The significant components of deposits and deferred revenue are as follows:

| | ***2026*** | ***2025*** |
|---|---|---|
| | ***(in thousands)*** | |
| Student deposits and deferred tuition revenue | $ 4,184 | $ 3,887 |
| Deferred rental revenue (Note 8) | 750 | 900 |
| Vendor advance (Note 9) | 5,184 | 516 |
| Other | 540 | 756 |
| **Total deposits and deferred revenue** | **$ 10,658** | **$ 6,059** |

***Refundable Advances from Government for Student Loans***

Refundable advances represent amounts advanced from the DOE subject to certain adjustments associated with the Perkins and Nursing Student Loan Program as discussed in the student accounts and notes section of these policies. The DOE is winding down the Perkins element of this program. As such, management expects that element of past advances via assignment or loans to the DOE along with payments to the DOE from its existing Perkins cash balances and cash collected on loans.

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Income Tax Status*

The University is recognized by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from Federal and state income taxes on related income. Given the limited taxable activities of the University, management has concluded that disclosures relative to tax provisions are not necessary.

#### *Uncertain Tax Positions*

The University accounts for the effect of any uncertain tax positions based on a "more likely than not" threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a "cumulative probability assessment" that aggregates the estimated tax liability for all uncertain tax positions. The University has identified its tax status as a tax-exempt entity and its determinations as to income being related or unrelated as its only significant tax positions; however, the University has determined that such tax positions do not result in an uncertainty requiring recognition. The University is not currently under examination by any taxing jurisdiction. The University's Federal and state tax returns are generally open for examination for three years following the date filed.

#### *Net Assets*

The accompanying financial statements present information regarding the University's financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

*Net Assets Without Donor Restrictions* - Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions, net assets for endowment. The University's policy is to designate unrestricted donor gifts at the discretion of the Board of Trustees. Net assets without donor restrictions also include the investment in plant, net of accumulated depreciation, funds for facilities and student loans and undesignated funds.

*Net Assets With Donor Restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature that may or will be met, either by the passage of time or the events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Contributions and earnings subject to donor-imposed stipulations that are met in the same reporting period are reported as revenue without donor restrictions. Contributions of cash and other assets to be used to acquire land, buildings and equipment are accounted for as with donor restrictions until such resources are used for the related purpose.

### *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

#### *Revenue Recognition and Operations*

The consolidated statements of activities report the changes in net assets from operating and non-operating activities. Operating expenses consist of those items attributable to the University's primary mission of providing education. The primary operating revenues are derived from tuition and fees, room and board, auxiliary revenues, grants and contracts, gifts with and without donor restrictions for current operations (and related earnings), income and gains appropriated from the earnings of the endowment consistent with the University's spending policy plus earnings from general investments without donor restrictions.

Investment income and gains/losses on endowment, donor-restricted and Board-designated funds, other than the amount appropriated for operations, are classified as non-operating activities. Gifts to the endowment and other gifts and grants not directed to current operations as well as capital improvements and facilities are also classified as non-operating activities. The University also considers gains and losses on disposal of equipment, change in split interest agreements, and other income earned as non-operating. Non-operating expenses include bad debt expense and expenditures related to non-operating grant activities.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

#### *Earned Revenues*

The University derives revenues primarily through tuition and fees, room and board, and auxiliary services all of which are under arrangements that are aligned to an academic semester which is less than one year in length.

Under accounting standards, revenue measurement is driven via a principles based process that requires the entities 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

Tuition and fees and auxiliary enterprises revenue are recorded at established rates, net of institutional financial aid and scholarships provided directly to students. 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 its 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 activity.

***Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)***

***Revenue Recognition and Operations (Continued)***

Students may withdraw from programs of study within certain time limits as under the University's withdrawal policies by semester. These policies vary by program but allow for up to a 100% refund before the start of classes declining to no refund shortly after the start of classes. Given the normal timing of the University's programs, the exposure to withdrawal rights is limited at year end.

Auxiliary rental income and grant and contract income are recorded as revenue over time as earned.

Payments made by third parties such as the Department of Education ("DOE") relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue of the University. Cash flows are also impacted by DOE rules which differ for newly enrolled versus continuing students with respect to financial aid. Generally, funds made available by the DOE for new students are available later than for continuing students. Management does not view there to be other qualitative factors that have a significant impact on the nature and amount of revenue and cash flow.

***Contributed Support***

Gifts, including unconditional promises to give, are recognized as revenues as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value and per the fair value policies described elsewhere in these policies. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions when such time or purposes restriction has been satisfied.

The University reports gifts of land, buildings 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 revenue with donor restrictions and released from restrictions when such resources are used for the related purpose.

Contribution revenue earned on grants are recognized as related costs are incurred as revenue without donor restrictions. Revenue on contracts is recognized as value is transferred to customers which generally is indicated via the incurring of allowable costs under the contract.

Conditional contributions are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers. Contributions received pending designation by the donor are considered with donor restrictions until known at which time such are reclassified if required.

## *Note 1 - Nature of Operations and Summary of Significant Accounting Policies (Continued)*

### *Functional Allocation of Expenses*

The costs of providing the various programs and activities and supporting services have been summarized on a functional basis in Note 12 and this footnote presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Depreciation of plant assets and operation and maintenance of plant expenses have been allocated to functional classifications based on such criteria as building usage. Interest expense is allocated to functional classifications that benefited from the use of the proceeds of the debt.

### *Advertising*

Advertising and marketing costs are expensed as incurred and amounted to approximately $754,500 and $981,000 for the years ended June 30, 2026 and 2025, respectively.

### *Use of Estimates*

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 consolidated financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

### *Reclassifications*

Certain reclassifications have been made to the 2025 consolidated financial statements to conform to the 2026 presentation.

### *Subsequent Events*

The University has evaluated subsequent events through October 9, 2026, the date the consolidated financial statements were issued. Management determined that no events occurred through that date that required recognition or disclosure in the consolidated financial statements.

## *Note 2 - Liquidity and Availability*

The University regularly monitors liquidity to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and a line of credit. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of education, research and public service as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

***Note 2 - Liquidity and Availability (Continued)***

In addition to the financial assets available to meet general expenditures over the next 12 months, refer to the consolidated statements of cash flows which identify the sources and uses of the University's cash and show positive cash generated by operations for the years ended June 30, 2026 and 2025.

Although not expected to be needed, the spendable yet restricted portion of the University's net assets could be used to meet cash needs if necessary. Prudent investment management, however, must be considered to ensure the preservation of the funds for future use.

The following tables show the total financial assets held by the University and the amounts of those financial assets available within one year of the balance sheet date to meet general expenditures at June 30:

| | | ***2026*** | | ***2025*** |
|---|---|---|---|---|
| | | ***(in thousands)*** | | |
| Financial assets at year end: | | | | |
| Cash | $ | 1,403 | $ | 1,898 |
| Short-term investments | | 25,767 | | 19,198 |
| Student and other accounts receivable, net | | 2,733 | | 2,071 |
| Loans and notes receivable, net | | 1,006 | | 1,003 |
| Pledges receivable, net | | 8,543 | | 13,619 |
| Investments | | 124,116 | | 109,453 |
| Other assets | | 2,157 | | 1,845 |
| **Total financial assets at year end** | **$** | **165,725** | **$** | **149,087** |

| | | ***2026*** | | ***2025*** |
|---|---|---|---|---|
| | | ***(in thousands)*** | | |
| Financial assets available to meet general expenditures over the next 12 months: | | | | |
| Cash | $ | 1,403 | $ | 1,898 |
| Short-term investments | | 25,767 | | 19,198 |
| Student and other accounts receivable, net | | 2,733 | | 2,071 |
| Pledges receivable for general expenditure due in one year or less, net (Note 3) | | 2,069 | | 4,458 |
| Endowment spending rate distribution and appropriations | | 5,043 | | 4,492 |
| **Total financial assets available to meet general expenditures over the next 12 months** | **$** | **37,015** | **$** | **32,117** |

In addition, the University has approximately $72,408,000 and $65,094,000, at June 30, 2026 and 2025, respectively, of board-designated funds which are eligible to be spent on operations, if needed, upon approval by the Board of Trustees of the University.

### *Note 3 - Pledges Receivable*

Pledges receivable consisted of the following at June 30:

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Amounts due in: | | |
| Less than one year | $ 4,438 | $ 4,458 |
| One to five years | 4,994 | 11,033 |
| Greater than five years | - | 25 |
| **Total due** | **9,432** | **15,516** |
| Less: | | |
| Unamortized discount | (439) | (1,088) |
| Allowance for doubtful accounts | (450) | (809) |
| **Pledges receivable, net** | **$ 8,543** | **$ 13,619** |

Discount rates used to present value the estimated cash flows from pledges ranged from 5.92% to 7.87% for the year ended June 30, 2026 and 5.92% to 7.87% for the year ended June 30, 2025.

### *Note 4 - Investments and Fair Value Measurements*

The following tables summarize the University's recurring fair value measurements at June 30, 2026 and 2025:

| 2026 | *Total* | *Investments Measured at NAV* | *Level 1* | *Level 2* | *Level 3* |
|---|---|---|---|---|---|
| | | *(in thousands)* | | | |
| Short-term investments: | | | | | |
| Money market funds | $ 25,767 | $ - | $ 25,767 | $ - | $ - |
| **Total short-term investments** | **25,767** | **-** | **25,767** | **-** | **-** |
| Long-term investments: | | | | | |
| Equity funds: | | | | | |
| Domestic | 39,971 | 4,356 | 35,615 | - | - |
| Developed | 16,604 | 4,356 | 12,248 | - | - |
| Emerging | 5,075 | - | 5,075 | - | - |
| Fixed income | 11,598 | - | 11,598 | - | - |
| Multi strategy hedge | 11,921 | 10,085 | 1,836 | - | - |
| Other: | | | | | |
| REIT | 8,476 | 3,253 | 5,223 | - | - |
| Real estate | 10,516 | - | - | - | 10,516 |
| Private equity | 19,955 | 19,955 | - | - | - |
| **Total long-term investments** | **124,116** | **42,005** | **71,595** | **-** | **10,516** |
| **Total investments** | **149,883** | **42,005** | **97,362** | **-** | **10,516** |
| Other assets: | | | | | |
| Assets held under split interest agreements | 776 | - | 776 | - | - |
| **Total** | **$ 150,659** | **$ 42,005** | **$ 98,138** | **$ -** | **$ 10,516** |

## *Note 4 - Investments and Fair Value Measurements (Continued)*

| 2025 | Total | Investments Measured at NAV | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|---|
| | | (in thousands) | | | |
| Short-term investments: | | | | | |
| Money market funds | $ 17,055 | $ - | $ 17,055 | $ - | $ - |
| Certificates of deposit | 2,143 | - | - | 2,143 | - |
| **Total short-term investments** | **19,198** | **-** | **17,055** | **2,143** | **-** |
| Long-term investments: | | | | | |
| Equity funds: | | | | | |
| Domestic | 35,507 | 3,846 | 31,661 | - | - |
| Developed | 12,556 | 3,846 | 8,710 | - | - |
| Emerging | 3,677 | - | 3,677 | - | - |
| Fixed income | 10,920 | - | 10,920 | - | - |
| Multi strategy hedge | 13,999 | 12,258 | 1,741 | - | - |
| Other: | | | | | |
| REIT | 6,657 | 3,031 | 3,626 | - | - |
| Real estate | 9,701 | - | - | - | 9,701 |
| Private equity | 16,436 | 16,436 | - | - | - |
| **Total long-term investments** | **109,453** | **39,417** | **60,335** | **-** | **9,701** |
| **Total investments** | **128,651** | **39,417** | **77,390** | **2,143** | **9,701** |
| Other assets: | | | | | |
| Assets held under split interest agreements | 575 | - | 575 | - | - |
| **Total** | **$ 129,226** | **$ 39,417** | **$ 77,965** | **$ 2,143** | **$ 9,701** |

***Note 4 - Investments and Fair Value Measurements (Continued)***

Redemption/liquidity of investments are as follows at June 30:

| | | *2026* | | *2025* |
|---|---|---|---|---|
| | | *(in thousands)* | | |
| ***Redemption Frequency*** | | | | |
| Daily | $ | 97,360 | $ | 79,477 |
| Monthly | | 10,750 | | 7,692 |
| Quarterly to annually | | 8,048 | | 12,315 |
| Illiquid | | 33,725 | | 29,167 |
| **Total investments** | **$** | **149,883** | **$** | **128,651** |

Management has no intentions or plans to liquidate any NAV practical expedient investment at other than NAV per share. At June 30, 2026, the University had unfunded commitments of $10,991,000.

The University acquired non-operating real estate that is being measured on a recurring basis using Level 3 inputs with the change in value being reported as a component of unrealized gains. The significant Level 3 inputs were: a sales comparison approach that considered active markets for similar properties, prices of alternative properties having similar utility and the contributory value of residential dwellings; and a cost approach using estimates of land value and replacement cost of the improvements and accrued depreciation. An income valuation approach was not utilized because there is not an active rental market for similar properties that would result in a reliable estimate of the property's income generating potential, this approach does not reflect the primary analysis undertaken by a typical purchaser, and similar properties are typically owner-occupied. There were no purchases, sales, or transfers of Level 3 assets during the year ended June 30, 2026.

The University purchased non-operating real estate during 2026 for $805,000 which will also be reported at fair value each year. This purchase is the only change in Level 3 fair value measurements during 2026.

***Note 4 - Investments and Fair Value Measurements (Continued)***

Investment activities consisted of the following for the years ended June 30:

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Investments and short-term investments, beginning of year | $ 128,651 | $ 115,307 |
| Gifts and additions: | | |
| Endowment gifts | 3,480 | 4,497 |
| Endowment additions from operations | - | - |
| Operational additions | 9,905 | 4,480 |
| Non-operational additions | - | - |
| Total gifts and additions | 13,385 | 8,977 |
| Investment returns: | | |
| Interest and dividends | 2,468 | 2,037 |
| Net realized and unrealized gains | 14,702 | 9,464 |
| Total investment returns | 17,170 | 11,501 |
| Expenditures: | | |
| Amounts appropriated under endowment spending policy | (4,506) | (5,233) |
| Other expenditures: | | |
| Capital projects | (3,810) | (1,703) |
| Scholarships | (58) | (5) |
| Operations | (949) | (193) |
| Total other expenditures | (4,817) | (1,901) |
| Net investment returns and expenditures | 7,847 | 4,367 |
| **Investments and short-term investments, end of year** | **$ 149,883** | **$ 128,651** |

Investment management fees were $650,000 and $689,000 for the years ended June 30, 2026 and 2025, respectively, and are netted against realized and unrealized gains. Additionally, certain investment managers net their investment manager fees against returns, and accordingly, such amounts are not included in the aforementioned fees.

### *Note 5 - Other Assets*

Other assets consisted of the following at June 30:

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Interest in captives | $ 1,921 | $ 1,588 |
| Beneficial interest in remainder trust | 776 | 575 |
| Prepaid expenses | 249 | 211 |
| Other | 272 | 296 |
| **Other assets** | **$ 3,218** | **$ 2,670** |

### *Note 6 - Land, Buildings and Equipment*

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

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Land and improvements | $ 8,200 | $ 8,129 |
| Buildings and improvements | 181,345 | 175,583 |
| Equipment and computer software | 52,725 | 50,482 |
| Construction in progress | 32,223 | 9,256 |
| | 274,493 | 243,450 |
| Less: accumulated depreciation | (155,735) | (149,575) |
| **Land, buildings and equipment, net** | **$ 118,758** | **$ 93,875** |

Depreciation and amortization expense was $7,045,000 and $6,971,000 for the years ended June 30, 2026 and 2025, respectively. Construction in progress includes the planned expansion of junior class housing, including the construction of a new dormitory, construction of the campus pavilion, renovation of the student center and other smaller renovations in progress throughout the campus.

The University disposed of $885,000 and $3,931,000 of buildings and equipment for the years ended June 30, 2026 and 2025, respectively, which resulted in a loss of $0 and $621,000, respectively.

### *Note 7 - Debt*

Debt, net consisted of the following at June 30:

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Obligations under Rhode Island Higher Education Facility Revenue Bonds of Refunding Series 2011 amortizes over 20 years with fixed interest of 3.65%; principal and interest paid monthly, secured by a pledge of annual tuition and dormitory revenues and a mortgage on certain property. The bonds are privately placed with a bank. | $ 6,420 | $ 7,965 |
| Obligations under Rhode Island Higher Education Facility Revenue Bonds of Refunding Series 2015, comprised of three bonds with one amortizing over 30 years ($14,554 at June 30, 2026) with a fixed rate of 2.55% for 15 years (rate to be reset in year 16 for the following 15 year term), one over 21 years ($1,684 at June 30, 2026) with variable interest rate of an adjusted 30-day SOFR rate (4.13% at June 30, 2026) and one over 30 years ($2,628 at June 30, 2026) with variable interest rate of an adjusted 30-day SOFR rate (4.13% at June 30, 2026); principal and interest paid monthly, secured by a pledge of annual tuition and dormitory revenues and a mortgage on certain property. The bonds are privately placed with a bank. | 18,866 | 19,743 |
| Obligations under Rhode Island Higher Education Facility Revenue Bonds of Refunding Series 2025, comprised of one bond amortizing over 30 years ($36,000 at June 30, 2026) with a fixed rate of 4.75% for 10 years (rate to be reset in year 11 for the following 20 year term); interest paid monthly with principal payments beginning in August 2030, secured by a pledge of annual tuition and dormitory revenues and a mortgage on certain property. The bonds are privately placed with a bank. | 36,000 | 36,000 |
| Total debt | 61,286 | 63,708 |
| Less unamortized bond issuance costs | (826) | (888) |
| **Debt, net** | **$ 60,460** | **$ 62,820** |

The obligations under the Rhode Island Higher Education Facility Revenue Bonds include financial and non-financial covenants. The University capitalized interest related to the 2025 bonds in the amount of $1,094,000 and $93,000 for the years ended June 30, 2026 and 2025, respectively. Interest expense capitalized is net of interest earned on the deposits with bond trustees.

### *Note 7 - Debt (Continued)*

Annual principal payments for the next five years and thereafter are as follows as of June 30, 2026:

| ***Year Ending June 30,*** | |
|---|---|
| 2027 | $ 2,563 |
| 2028 | 3,242 |
| 2029 | 2,577 |
| 2030 | 2,675 |
| 2031 | 2,780 |
| Thereafter | 47,449 |
| | $ 61,286 |

Bond issuance costs are capitalized and amortized on the straight-line basis over the life of the related bonds. Bond issuance costs of $826,000 and $888,000 are net of accumulated amortization of $690,000 and $628,000 at June 30, 2026 and 2025, respectively. Amortization expense amounted to $62,000 and $53,000 for the years ended June 30, 2026 and 2025. The University incurred approximately $349,000 of issuance costs in connection with the new debt in 2025.

The University maintains an unsecured revolving credit agreement with a bank that provides for maximum borrowings of $4,000,000, renewing annually with an evergreen term. Management intends to renew the credit agreement under similar terms upon expiration. Any amounts outstanding bear interest at the bank's prime rate. At June 30, 2026 and 2025, there were no amounts outstanding under this agreement.

### *Note 8 - Leases*

The University leases dormitory, athletic facilities, and administrative space under operating leases expiring at various dates through 2030. The University leases equipment, classified as finance leases through 2030. The components of lease expense were as follows for the years ended June 30:

| | ***2026*** | ***2025*** |
|---|---|---|
| | ***(in thousands)*** | |
| Finance lease expense: | | |
| Amortization of right-of-use asset | $ 209 | $ 186 |
| Interest on lease liabilities | 21 | 28 |
| Total finance lease expense | 230 | 214 |
| Operating lease expense: | | |
| Fixed | 457 | 457 |
| Short-term lease cost | 240 | 240 |
| Total operating lease expense | 697 | 697 |
| **Total lease expense** | **$ 927** | **$ 911** |

***Note 8 - Leases (Continued)***

Other information related to leases was as follows for the years ended June 30:

| | 2026 | 2025 |
|---|---|---|
| | (in thousands) | |
| Supplemental cash flows information | | |
| Cash paid for amounts included in the measurement of lease obligations: | | |
| Operating cash flows from financing leases | $ 227 | $ 200 |
| Operating cash flows from operating leases | $ 355 | $ 355 |
| Weighted average remaining lease term: | | |
| Finance leases | 3.2 years | 1.6 years |
| Operating leases | 2.8 years | 3.8 years |
| Weighted average discount rate: | | |
| Finance leases | 4.55% | 3.84% |
| Operating leases | 3.25% | 3.37% |

Approximate annual non-cancelable rental payments under these leases for the years ending June 30 are as follows:

| | Operating Leases (in thousands) | Finance Leases (in thousands) |
|---|---|---|
| 2027 | $ 356 | $ 228 |
| 2028 | 356 | 228 |
| 2029 | 236 | 228 |
| 2030 | 31 | 27 |
| Total future minimum lease payments | 979 | 711 |
| Less imputed interest | (42) | (34) |
| **Total lease obligations** | **$ 937** | **$ 677** |

### *Note 8 - Leases (Continued)*

#### *Lessor Agreement*

The University leases its non-operating real estate investment to a private independent non-higher educational institution. The lease calls for annual payments of $50,000 per year for a total of $500,000 over the initial term which expires in June 2031. There is one five year renewal option with fair market rent, not to exceed $130,000 per year. The University has recorded deferred rental revenue of $750,000 and $900,000 as of June 30, 2026 and 2025, respectively, that represents the estimate of below market rental income. The deferred rental revenue was determined by applying the University's historical endowment return to the cost of the real estate over a ten year period and comparing that to the rental revenue over a ten year period. The resulting difference is management's estimate of the below market rent over that period. The University opted for an opportunity cost of investment method due to the lack of realistic market comparisons due to the unique nature of the property and its present use. This liability is included in deposits and deferred revenue on the consolidated statements of financial position and is amortized to other income on a straight-line basis over a period of ten years.

The University leases its other non-operating real estate investment to a third party. The lease commenced in June 2026 and calls for monthly payments of $3,000 through its expiration in May 2027.

### *Note 9 - Commitments and Contingencies*

#### *Long-Term Contracts*

The University has long-term contracts with outside service vendors for their food and custodial services through August 31, 2040 and June 30, 2027, respectively, and each can be terminated with reasonable notice. Expenses incurred under these contracts are variable each year based on the number of students served and actual expenses incurred. In 2025, the University extended its long-term arrangement with its food service provider which runs through 2040. This arrangement included an upfront payment of $5,000,000 which will be amortized to income over the term of the agreement. The previously unamortized payment received was amended and will be amortized pursuant to terns of the amended arrangement. Approximately $5,184,000 and $516,000 as of June 30, 2026 and 2025, respectively, was deferred and included in deposits and deferred tuition on the consolidated statements of financial position. The arrangement provides for rights of termination which would include repayment of unamortized amounts.

The University has in place a fixed rate contract to purchase and receive credits associated with energy generated by solar power electrical facilities. The contract terminates twenty-five years after commercial operations commenced in June 2018.

The University has in place a contract with a service provider to assist and facilitate marketing efforts surrounding its online educational courses. The contract spans seven years after operations commence. Operations commenced July 2019 and will span through June 2026. This agreement was not renewed at the conclusion of the original contract.

### *Note 9 - Commitments and Contingencies (Continued)*

#### *Self-Insurance Program*

The University participates in a self-insured health insurance captive (the "Captive") in order to manage its health insurance costs. The University is an equity participant in the Captive that currently includes over twenty other educational institutions. As a participant, the University is liable for its pro-rata share of any Captive losses specific to the University. Any Captive gains or losses will be allocated to the members at the end of the year. The Captive has purchased reinsurance for itself to limit claims to the capital provided by the members. The University cannot be allocated any more in claims than this initial capital contribution. Specific to the University's plan, a stop-loss insurance policy is in force providing coverage for claims in excess of $180,000 per participant in a calendar year. In addition, there is a general aggregate stop loss of $125,000.

### *Note 10 - Net Assets and Endowment Matters*

#### *Net Assets Without Donor Restrictions*

Net assets without donor restrictions are comprised of the following at June 30:

| | *2026* | *2025* |
|---|---|---|
| | *(in thousands)* | |
| Operating | $ 9,901 | $ 12,855 |
| Net investment in plant | 65,523 | 60,844 |
| Board-designated funds operating as endowment | 72,408 | 65,094 |
| **Net assets without donor restrictions** | **$ 147,832** | **$ 138,793** |

***Note 10 - Net Assets and Endowment Matters (Continued)***

***Net Assets With Donor Restrictions***

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

| | 2026 | 2025 |
|---|---|---|
| | *(in thousands)* | |
| Purpose restricted gifts: | | |
| Capital improvements | $ 7,102 | $ 8,121 |
| Instructional, including pledges receivable | 5,432 | 6,886 |
| Financial aid, including pledges receivable | 1,847 | 834 |
| Other | 3,876 | 4,090 |
| | 18,257 | 19,931 |
| Accumulated unspent gains: | | |
| Financial aid | 8,351 | 6,162 |
| Instructional | 3,778 | 2,438 |
| Other | 1,645 | 756 |
| | 13,774 | 9,356 |
| Endowment corpus: | | |
| Financial aid | 14,086 | 13,317 |
| Instructional | 11,279 | 9,526 |
| Other | 5,926 | 4,968 |
| | 31,291 | 27,811 |
| Total endowment | 45,065 | 37,167 |
| Interest in remainder trust restricted for perpetual endowment | 484 | 307 |
| | 484 | 307 |
| **Net assets with donor restrictions** | **$ 63,806** | **$ 57,405** |

Net assets were released from donor restrictions as a result of the incurrence of expenses satisfying the restricted purposes, the occurrence of events specified by donors or by the change of restrictions specified by the donors. Net assets released from restrictions were for the following purposes for the years ended June 30:

| | 2026 | 2025 |
|---|---|---|
| | *(in thousands)* | |
| Capital improvements | $ 1,559 | $ 275 |
| Instructional | 249 | 557 |
| Financial aid | 82 | 211 |
| Other | 43 | 130 |
| **Net assets released from restrictions** | **$ 1,933** | **$ 1,173** |

### *Note 10 - Net Assets and Endowment Matters (Continued)*

The following represents required disclosures relative to the composition of endowment assets and those functioning as endowment assets at June 30:

| | 2026 (in thousands) | | |
|---|---|---|---|
| | *Net Assets Without Donor Restrictions* | *Net Assets With Donor Restrictions* | *Total* |
| Endowment assets and those functioning as endowment assets, beginning of year | $ 65,094 | $ 37,167 | $ 102,261 |
| Gifts | - | 3,480 | 3,480 |
| Additions from operations | - | - | - |
| Total gifts and additions | - | 3,480 | 3,480 |
| Investment return: | | | |
| Interest and dividends | 960 | 576 | 1,536 |
| Net realized and unrealized gains | 9,410 | 5,292 | 14,702 |
| Total investment returns | 10,370 | 5,868 | 16,238 |
| Expenditures: | | | |
| Amounts appropriated under endowment spending policy: | | | |
| Scholarships | (35) | (850) | (885) |
| Operations | (3,021) | (600) | (3,621) |
| Total amounts appropriated under endowment spending policy | (3,056) | (1,450) | (4,506) |
| Net investment returns and expenditures | 7,314 | 4,418 | 11,732 |
| **Endowment assets and those functioning as endowment assets, end of year** | **$ 72,408** | **$ 45,065** | **$ 117,473** |

### *Note 10 - Net Assets and Endowment Matters (Continued)*

| | 2025 (in thousands) | | |
|---|---|---|---|
| | *Net Assets Without Donor Restrictions* | *Net Assets With Donor Restrictions* | *Total* |
| Endowment assets and those functioning as endowment assets, beginning of year | $ 61,950 | $ 30,410 | $ 92,360 |
| Gifts | - | 4,497 | 4,497 |
| Additions from operations | - | - | - |
| Total gifts and additions | - | 4,497 | 4,497 |
| Investment return: | | | |
| Interest and dividends | 777 | 396 | 1,173 |
| Net realized and unrealized gains | 6,306 | 3,158 | 9,464 |
| Total investment returns | 7,083 | 3,554 | 10,637 |
| Expenditures: | | | |
| Amounts appropriated under endowment spending policy: | | | |
| Scholarships | (35) | (789) | (824) |
| Operations | (2,904) | (505) | (3,409) |
| Supplemental appropriation | (1,000) | - | (1,000) |
| Total amounts appropriated under endowment spending policy | (3,939) | (1,294) | (5,233) |
| Net investment returns and expenditures | 3,144 | 2,260 | 5,404 |
| **Endowment assets and those functioning as endowment assets, end of year** | **$ 65,094** | **$ 37,167** | **$ 102,261** |

### *Endowment*

The University's endowment consists of over 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Note 10 - Net Assets and Endowment Matters (Continued)*

#### *Interpretation of Relevant Law and Spending Policy*

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") signed into law in the State of Rhode Island requiring the tracking of value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As such, the University tracks in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Endowment accounts are subject to appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the University and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the University
(7) The investment policies of the University

Based on the above, the Board of Trustees had established a spending rate of five percent and four and a half percent of a rolling three-year average fair value of the long-term investments for 2026 and 2025, respectively. In addition to the normal spending policy, the board approved an additional draw of $1,000,000 in 2025. The University has adopted this spending policy in an effort to balance current needs along with preserving the purchasing power of these funds into the future.

#### *Funds with Deficiencies*

From time to time, the fair value of assets associated with the individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations. The University has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. Given the de minimis amounts involved, management has elected to omit detailed disclosure.

### *Note 10 - Net Assets and Endowment Matters (Continued)*

#### *Return Objectives and Risk Parameters*

The University's investment portfolio is managed to provide for the long-term support of the University. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed-upon levels of risk. It is the goal of the aggregate endowment fund assets to generate a long-term rate of return which would meet the annual spending rate, provide for inflation, and fees. The expected spending draw for the year ending June 30, 2027 is approximately $5,043,000.

#### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the University 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 University targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the University seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

### *Note 11 - Defined Contribution Plans*

The University has a qualified defined contribution plan for eligible employees. Under the plan, the University makes discretionary contributions as a percentage of the salaries of all eligible participating employees with that percentage having been 8% in 2026 and 2025. Expenses under this plan were approximately $2,584,000 and $2,418,000 for the years ended June 30, 2026 and 2025, respectively.

### *Note 12 - Natural Classification of Expenses*

Expenses presented by natural classification and function are as follows for the years ended June 30:

| | *2026* (in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Instruction* | *Research* | *Academic Support* | *Student Services* | *Auxiliary Enterprises* | *Management and General* | *Fundraising* | *Total* |
| Salaries and benefits | $ 22,799 | $ 412 | $ 4,491 | $ 10,852 | $ 3,354 | $ 10,801 | $ 1,502 | $ 54,211 |
| Contract services | 2,062 | 21 | - | 205 | 6,067 | 2,085 | 53 | 10,493 |
| Occupancy and related expenses | 1,087 | - | 473 | 838 | 5,413 | 384 | 49 | 8,244 |
| Depreciation and amortization | 1,546 | 49 | 686 | 1,276 | 2,709 | 801 | 40 | 7,107 |
| Interest | 571 | - | 56 | 94 | 99 | 29 | - | 849 |
| Other operating expenses | 1,279 | 195 | 1,636 | 4,126 | 1,470 | 20 | 184 | 8,910 |
| Other non-operating expenses | - | - | - | - | - | 1,164 | - | 1,164 |
| **Total expenses** | **$ 29,344** | **$ 677** | **$ 7,342** | **$ 17,391** | **$ 19,112** | **$ 15,284** | **$ 1,828** | **$ 90,978** |

| | *2025* (in thousands) | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Instruction* | *Research* | *Academic Support* | *Student Services* | *Auxiliary Enterprises* | *Management and General* | *Fundraising* | *Total* |
| Salaries and benefits | $ 21,385 | $ 295 | $ 4,713 | $ 10,234 | $ 3,111 | $ 10,617 | $ 1,793 | $ 52,148 |
| Contract services | 1,925 | 69 | - | 236 | 5,310 | 2,571 | 48 | 10,159 |
| Occupancy and related expenses | 1,223 | - | 491 | 1,153 | 4,980 | 548 | 51 | 8,446 |
| Depreciation and amortization | 1,600 | 81 | 668 | 1,289 | 2,531 | 815 | 40 | 7,024 |
| Interest | 626 | - | 67 | 113 | 119 | 35 | - | 960 |
| Other operating expenses | 1,351 | 175 | 1,322 | 4,271 | 1,597 | 203 | 158 | 9,077 |
| Other non-operating expenses | - | - | - | - | - | 1,204 | - | 1,204 |
| **Total expenses** | **$ 28,110** | **$ 620** | **$ 7,261** | **$ 17,296** | **$ 17,648** | **$ 15,993** | **$ 2,090** | **$ 89,018** |