DRAFT 2.21.24

Graduate School of Banking, Inc. and Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Financial Statements and Supplementary Information

October 31, 2023 and 2022

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Table of Contents
October 31, 2023 and 2022

Independent Accountants' Review Report

To the Board of Trustees of
Graduate School of Banking, Inc. and Herbert V. Prochnow Educational Foundation, Inc.

We have reviewed the accompanying consolidated financial statements of the Graduate School of Banking, Inc. (the School) and Herbert V. Prochnow Educational Foundation, Inc. (the Foundation) (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of October 31, 2023, and the related consolidated statements of activities, cash flows and functional revenues and public support and expenses for the year then ended and the related notes to the consolidated financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the consolidated financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the consolidated financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying 2023 consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Report on 2022 Consolidated Financial Statements

The 2022 consolidated financial statements were audited by us and we expressed an unmodified opinion on them in our report dated March 3, 2023. We have not performed any auditing procedures since that date.

Emphasis of a Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update No. 2016-02, *Leases (Topic 842)* and all related amendments in 2023. Our conclusion is not modified with respect to this matter.

Supplementary Information

The consolidating schedules included in the supplementary information are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The supplementary information has been subjected to the review procedures applied in our review of the basic consolidated financial statements. We are not aware of any material modifications that should be made to the supplementary information. We have not audited the supplementary information and do not express an opinion on such information.

Milwaukee, Wisconsin
February 28, 2024

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Statements of Financial Position
October 31, 2023 (Reviewed) and 2022 (Audited)

	2023 (Reviewed)	2022 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 1,112,323	$ 834,779
Accrued interest and dividends	31,372	17,808
Accounts receivable	563	24,875
Other receivable	90,064	90,064
Prepaid expenses	48,026	56,385
Total current assets	1,282,348	1,023,911
Investments	8,495,653	8,638,233
Restricted Cash	10,027	10,024
Operating Right-of-Use Asset	68,152	-
Property, Equipment and Software, Net	228,612	359,606
Total assets	$ 10,084,792	$ 10,031,774
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 158,767	$ 181,163
Accrued liabilities	92,737	80,192
Deferred revenue	150,148	273,815
Current portion of operating lease liability	14,027	-
Total current liabilities	415,679	535,170
Long-Term Portion of Operating Lease Liability	54,415	-
Total liabilities	470,094	535,170
Net Assets		
Without donor restrictions	9,599,698	9,478,604
With donor restrictions	15,000	18,000
Total net assets	9,614,698	9,496,604
Total liabilities and net assets	$ 10,084,792	$ 10,031,774

See notes to consolidated financial statements

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Statements of Activities
Years Ended October 31, 2023 (Reviewed) and 2022 (Audited)

	2023 (Reviewed)			2022 (Audited)		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenues and Public Support						
Program revenue (net of $152,145 and $178,280 in scholarships in 2023 and 2022, respectively)	$ 3,748,184	$ -	$ 3,748,184	$ 3,768,814	$ -	$ 3,768,814
Other	100,452	-	100,452	93,075	-	93,075
Net investment return	84,488	-	84,488	(496,032)	-	(496,032)
Release from restrictions	3,000	(3,000)	-	3,000	(3,000)	-
Total revenues and public support	3,936,124	(3,000)	3,933,124	3,368,857	(3,000)	3,365,857
Expenses						
Program	2,443,572	-	2,443,572	2,595,915	-	2,595,915
Management and general	1,371,458	-	1,371,458	1,188,907	-	1,188,907
Total expenses	3,815,030	-	3,815,030	3,784,822	-	3,784,822
Changes in net assets	121,094	(3,000)	118,094	(415,965)	(3,000)	(418,965)
Net Assets, Beginning	9,478,604	18,000	9,496,604	9,894,569	21,000	9,915,569
Net Assets, Ending	$ 9,599,698	$ 15,000	$ 9,614,698	$ 9,478,604	$ 18,000	$ 9,496,604

See notes to consolidated financial statements

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Statements of Cash Flows
Years Ended October 31, 2023 (Reviewed) and 2022 (Audited)

	2023 (Reviewed)	2022 (Audited)
Cash Flows From Operating Activities		
Change in net assets	$ 118,094	$ (418,965)
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	247,545	283,177
Net realized investment gains	(115,771)	(384,251)
Net unrealized investment losses	290,938	1,101,923
Lease costs	290	-
Changes in assets and liabilities:		
Accrued interest and dividends	(13,564)	(6,845)
Accounts receivable	24,312	(19,433)
Other receivable	-	107,452
Prepaid expenses	8,359	(15,871)
Accounts payable	(22,396)	24,102
Accrued liabilities	12,545	(28,486)
Deferred revenue	(123,667)	(190,866)
Net cash flows from operating activities	426,685	451,937
Cash Flows From Investing Activities		
Purchases of property, equipment and software	(116,551)	(192,770)
Purchases of investments	(3,068,563)	(2,785,806)
Proceeds from sales of investments	3,035,976	2,809,339
Net cash flows from investing activities	(149,138)	(169,237)
Net change in cash, cash equivalents and restricted cash	277,547	282,700
Cash, Cash Equivalents and Restricted Cash, Beginning	844,803	562,103
Cash, Cash Equivalents and Restricted Cash, Ending	$ 1,122,350	$ 844,803
Supplemental Cash Flow Disclosures		
Operating right-of-use asset obtained in exchange for operating lease liability at implementation	$ 76,400	$ -
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	$ 9,429	$ -

See notes to consolidated financial statements

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Statement of Functional Revenues and Public Support and Expenses
Year Ended October 31, 2023 (Reviewed)

	Educational Programs						
	Graduate School	**Specialty Schools**	**Online Seminars**	**Advanced Programs**	**Total Program**	**Management and General**	**Total**
Revenues and Public Support							
Program revenue (net of $152,145 in scholarships)	$ 2,497,230	$ 796,450	$ 444,659	$ 9,845	$ 3,748,184	$ -	$ 3,748,184
Other	60,615	12,681	7	20,610	93,913	6,539	100,452
Net investment return	-	-	-	-	-	84,488	84,488
Total revenues and public support	2,557,845	809,131	444,666	30,455	3,842,097	91,027	3,933,124
Expenses							
Wages and benefits	311,793	30,876	57,918	3,935	404,522	622,098	1,026,620
Honorariums and professional fees	347,900	129,550	170,263	15,200	662,913	94,545	757,458
Public relations and promotion	-	-	-	-	-	193,795	193,795
Travel	108,172	37,021	-	3,159	148,352	194,205	342,557
Supplies, materials and technology	78,165	6,550	-	-	84,715	175,038	259,753
Student lodging and meals	564,775	67,415	-	2,621	634,811	-	634,811
Occupancy	34,772	46,424	2,879	2,272	86,347	60,080	146,427
Rebates, referral fees and revenue sharing	1,750	94,292	110,022	-	206,064	-	206,064
Depreciation and amortization	215,848	-	-	-	215,848	31,697	247,545
Total expenses	1,663,175	412,128	341,082	27,187	2,443,572	1,371,458	3,815,030
Change in net assets	$ 894,670	$ 397,003	$ 103,584	$ 3,268	$ 1,398,525	$ (1,280,431)	$ 118,094

See notes to consolidated financial statements

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidated Statement of Functional Revenues and Public Support and Expenses
Year Ended October 31, 2022 (Audited)

	Educational Programs						
	Graduate School	**Specialty Schools**	**Online Seminars**	**Advanced Programs**	**Total Program**	**Management and General**	**Total**
Revenues and Public Support							
Program revenue (net of $178,280 in scholarships)	$ 2,462,320	$ 931,720	$ 350,609	$ 24,165	$ 3,768,814	$ -	$ 3,768,814
Other	47,839	4,895	101	36,713	89,548	3,527	93,075
Net investment return	-	-	-	-	-	(496,032)	(496,032)
Total revenues and public support	2,510,159	936,615	350,710	60,878	3,858,362	(492,505)	3,365,857
Expenses							
Wages and benefits	297,291	29,256	54,874	3,729	385,150	587,275	972,425
Honorariums and professional fees	349,840	130,350	130,900	30,250	641,340	61,641	702,981
Public relations and promotion	-	-	-	-	-	167,911	167,911
Travel	91,815	34,877	-	5,970	132,662	155,695	288,357
Supplies, materials and technology	77,294	7,078	-	-	84,372	118,382	202,754
Student lodging and meals	563,561	255,378	-	2,641	821,580	-	821,580
Occupancy	31,232	39,691	5,506	2,521	78,950	85,075	164,025
Rebates, referral fees and revenue sharing	3,000	94,129	84,483	-	181,612	-	181,612
Depreciation and amortization	270,249	-	-	-	270,249	12,928	283,177
Total expenses	1,684,282	590,759	275,763	45,111	2,595,915	1,188,907	3,784,822
Change in net assets	$ 825,877	$ 345,856	$ 74,947	$ 15,767	$ 1,262,447	$ (1,681,412)	$ (418,965)

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Nature of Activities

The consolidated financial statements reflect the accounts of the Graduate School of Banking, Inc. (the School) and the Herbert V. Prochnow Educational Foundation, Inc. (the Foundation), (collectively referred to as the Organization). The School provides a comprehensive course of study of general banking and management subjects specifically designed to meet the needs of bankers. The Foundation serves as a supporting organization to the School. Through this relationship, the Foundation supports research in banking and education and sponsors a number of educational scholarship programs and activities intended to benefit the banking industry.

Basis of Presentation

The consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash, Cash Equivalents and Restricted Cash

The Organization defines cash equivalents as highly liquid, short-term investments with a maturity at the date of acquisition of three months or less. Restricted cash is pledged as collateral for the State of Wisconsin Unemployment Compensation Fund. Cash, cash equivalents and restricted cash as of October 31, 2023 and 2022 are as follows:

	2023 (Reviewed)	2022 (Audited)
Cash and cash equivalents	$ 1,112,323	$ 834,779
Restricted cash	10,027	10,024
Total	$ 1,122,350	$ 844,803

Accounts Receivable

Accounts receivable consists primarily of amounts due from financial institutions and participants for educational-related programs. The Organization records accounts receivable at the amount management expects to receive from the net transaction price. Bad debt expense has historically been insignificant.

Investments

Investments, except for money market funds, are stated at fair value (see Note 3). Purchases and sales of investments are recorded as of the settlement date. Gains or losses on sales of investments, net of investment fees, are recognized using the specific identification method. Money market fund investments are not considered to be cash equivalents for purposes of reporting cash flows. Money market funds are measured at cost and therefore are excluded from the fair value hierarchy.

Risks and Uncertainties

The Organization invests in various marketable securities. Investments 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 investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Property, Equipment and Software

Property, equipment and software are stated at cost. All acquisitions of property, equipment and software in excess of $5,000 and all expenditures for improvements and betterments that extend the useful lives of assets are capitalized. Property, equipment and software are depreciated and amortized using the straight-line method over their estimated useful lives. Maintenance, repairs and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are included in the consolidated statements of activities.

Impairment of Long-lived Assets

The Organization reviews long-lived assets, including property, equipment and software, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Deferred Revenue

Tuition and fees applying to services to be rendered in future periods are recorded as deferred revenue when received and reflected as revenue in the year when the course takes place.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations or time restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations or net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. As of October 31, 2023 and 2022, the Organization had net assets with donor restrictions of $15,000 and $18,000, respectively, that were restricted for scholarships.

Board Designated Net Assets

The Organization's Board of Trustees can designate identified amounts of net assets without donor restrictions to be used by management for specific future projects or activities. These designations can be modified or removed by the Board of Trustees at any time. The Organization's Board of Trustees has not designated any amounts as of October 31, 2023 and 2022.

Revenue Recognition

Educational program revenues are recognized in the period in which the programs and services are delivered. Performance obligations for registration fees, tuition, meals and lodging are satisfied over time as the programs are provided. Online seminar revenues are recognized over time as the seminars are provided, or, for multi-session seminars, recognition is pro-rata by session date. Transaction prices are determined annually and are communicated in the registration process. Students are billed in advance with payment due prior to the program. Discounts and scholarships provided by the Organization are reflected as a reduction of program revenue. Registration fees are nonrefundable. Other fees can be canceled for a refund dependent on the timing of the notice of cancellation in relation to the program start date or fees can be left on account to be used for future programs within a 24-month period.

There are no expressed or implied warranties. There is no revenue recognized for services performed in prior periods. There are no contract assets. Contract liabilities are recorded as deferred revenue on the consolidated statements of financial position and are anticipated to be recognized in the next fiscal year when the performance obligations are met. Accounts receivable and contract liabilities as of the beginning and end of the years ending October 31, 2023 and 2022 are as follows:

	November 1, 2021 (Reviewed)	October 31, 2022 (Audited)	October 31, 2023 (Reviewed)
Accounts receivable	$ 5,442	$ 24,875	$ 563
Contract liabilities, current	464,681	273,815	150,148

Contributions and grants, including unconditional promises to give, are recognized in the period received. Conditional contributions and grants, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. As of October 31, 2023 and 2022, there were no conditional contributions or grants. Donor restricted contributions and grants whose restrictions are met in the same reporting period are reported as public support without donor restrictions.

Advertising and Promotion

Advertising and promotion costs are charged to operations when incurred. Advertising and promotion expense was $80,026 and $68,166 for the years ended October 31, 2023 and 2022, respectively.

Tax-Exempt Status

The School and Foundation qualify as tax-exempt organizations under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes.

The School and Foundation follow the accounting guidance for uncertainty in income taxes, which requires recognition and disclosure of uncertain tax positions in the consolidated financial statements when it is more likely than not, based on technical merits, that the position will not be sustained upon examination. The School and Foundation do not believe it has taken any material uncertain tax positions, and accordingly, they have not recorded any liability for unrecognized tax benefits.

Expense Allocations

The consolidated financial statements report revenues and public support and expenses that are attributable to specific program or supporting functions of the Organization. Wages and benefits are allocated based on time and effort of employees. Occupancy is allocated based on square footage. All remaining expenses directly attributable to a specific functional activity of the Organization are reported as expenses of those functional activities.

Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA), the American Rescue Plan Act (ARPA) and the Infrastructure Investment and Jobs Act (IIJA) incentivized employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit was allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are also refunded to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. The Organization qualified for the ERC as it experienced a significant decline in gross receipts.

The Organization accounted for this federal funding in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-605 guidance for conditional contributions and, accordingly, revenues were measured and recognized when barriers were met. The Organization claimed credits of $197,516 which were included in other public support in the consolidated statement of activities for the year ended October 31, 2021. As of October 31, 2023 and 2022, the Organization had an ERC receivable of $90,064 within other receivable on the consolidated statements of financial position. Management anticipates collecting the receivable during 2024. No allowance was deemed necessary as of October 31, 2023 and 2022 as payments under the program were frozen during the year ending October 31, 2023 and the Organization has not received any correspondence indicating payments would not be received.

Estimates

The preparation of the 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 the reported amounts of revenues and public support and expenses during the reporting period. Actual results could differ from those estimates.

Adopted Accounting Pronouncements

Effective November 1, 2022, the Organization adopted FASB Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* and all related amendments using the modified retrospective approach. The Organization's 2022 consolidated financial statements continue to be accounted for under the FASB's Topic 840 and have not been adjusted.

ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancellable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method. At the date of adoption, $76,400 right-of-use assets and lease liabilities were recognized. There was no adjustment to net assets as a result of adopting ASU No. 2016-02.

The new standard provides for several optional practical expedients. Upon transition to Topic 842, the Organization elected the package of practical expedients permitted under the transition guidance which does not require the Organization to reassess prior conclusions regarding whether contracts are or contain a lease, lease classification and initial direct lease costs.

The new standard provides for several accounting policy elections, as follows:

- The Organization has elected the policy not to separate lease and nonlease components for real estate leases;
- When the rate implicit in the lease is not determinable, rather than use the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all asset classes; and
- The Organization elected not to apply the recognition requirements to all asset classes of leases with an original term of 12 months or less, for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 7.

2. Liquidity and Availability of Financial Assets

The Organization's financial assets available within one year of the consolidated statements of financial position date for general expenditures such as operating expenses and capital expenditures are as follows:

	2023 (Reviewed)	2022 (Audited)
Cash and cash equivalents	$ 1,112,323	$ 834,779
Accounts, interest and other receivable	121,999	132,747
Investments	8,495,653	8,638,233
Less donor restricted assets	(12,000)	(13,500)
Total financial assets	$ 9,717,975	$ 9,592,259

As of October 31, 2023, the Organization had cash on hand to cover approximately 100 days of budgeted operating expenses. Investments may be liquidated and utilized if needed; in general, approximately 4% of the investment balance is budgeted for current needs. Net assets with donor restrictions consist of donations for scholarships that are to be expended over the next four years; $3,000 and $4,500 was available for scholarships in fiscal year 2024 and 2023, respectively.

The Organization utilizes an insured sweep account to invest cash in excess of daily requirements in short-term investments as part of its liquidity management. The School's cash reserves policy allows for cash amounts in excess of 20% of the School's budgeted expenses to be contributed to the Foundation for inclusion in the Foundation's investment portfolio.

3. Investments

The following is a summary of the fair value of investments:

	2023 (Reviewed)	2022 (Audited)
Money market funds	$ 4,054	$ 141,183
Common stock and funds	5,606,570	5,778,605
Preferred stock and funds	460,178	657,476
Corporate bonds	690,258	576,929
Bond sector exchange traded funds (ETFs)	358,904	654,192
Government bonds	1,375,689	829,848
Total investments	$ 8,495,653	$ 8,638,233

Fair Value Measurements

The Organization follows current accounting guidance for fair value measurements. Current guidance establishes a single authoritative definition of fair value, sets a framework for measuring fair value and requires additional disclosures about fair value measurements. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following are descriptions of the valuation methodologies used for investments measured at fair value:

Money market funds are determined on the cost basis. As a result, they are excluded from the fair value hierarchy level disclosures.

Common stock and funds consist of various stocks valued using quoted market prices. They are classified as Level 1 as they are traded in an active market.

Preferred stock and funds are valued using quoted market prices. They are classified as Level 1 as they are traded in an active market.

Corporate and government bonds have readily determinable valuation but are not traded on an active market; they have been classified as Level 2.

Bond sector ETFs are valued using quoted market prices. They are classified as Level 1 as they are traded in an active market.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	2023 (Reviewed)			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Common stock and funds	$ 5,606,570	$ -	$ -	$ 5,606,570
Preferred stock and funds	460,178	-	-	460,178
Corporate bonds	-	690,258	-	690,258
Bond sector ETFs	358,904	-	-	358,904
Government bonds	-	1,375,689	-	1,375,689
Total investments at fair value	$ 6,425,652	$ 2,065,947	$ -	8,491,599
Money market funds				4,054
Total investments				$ 8,495,653

	2022 (Audited)			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Common stock and funds	$ 5,778,605	$ -	$ -	$ 5,778,605
Preferred stock and funds	657,476	-	-	657,476
Corporate bonds	-	576,929	-	576,929
Bond sector ETFs	654,192	-	-	654,192
Government bonds	-	829,848	-	829,848
Total investments at fair value	$ 7,090,273	$ 1,406,777	$ -	8,497,050
Money market funds				141,183
Total investments				$ 8,638,233

4. Property, Equipment and Software

The major categories of property, equipment and software as of October 31, 2023 and 2022 are summarized as follows:

	Useful Lives	2023 (Reviewed)	2022 (Audited)
Leasehold improvements	Lease term	$ -	$ 8,594
Furniture and fixtures	10 years	5,547	38,561
Software	3-5 years	1,137,193	1,026,188
Property, equipment and software, at cost		1,142,740	1,073,343
Less accumulated depreciation and amortization		914,128	713,737
Property, equipment and software, net		$ 228,612	$ 359,606

5. Scholarship Commitments

The Foundation has established various scholarships for participants attending the Graduate School of Banking program. The scholarship awards provide discounts from the regularly charged fees for each of the three sessions of the School's graduate banking program attended over the 25 month program. The amount of the scholarship is determined based on the tuition at the time of the award. Most of the scholarships will be used in the next two years.

Scholarships are also available to qualifying students of the one-week Human Resources Management (HR) School. The scholarship awards provide discounts from the regularly charged fees and are also determined based on the tuition at the time of the award.

Scholarships are forfeited if not used within a specified amount of time.

Scholarships are considered conditional promises to give because the recipients are required to be in attendance for the School's programs. Scholarships are recognized during the year the student meets the attendance requirements. Scholarships used during the years ended October 31, 2023 and 2022 are reflected as a reduction of program revenue on the consolidated statements of activities as discussed in Note 1.

The tables below show the status of scholarship commitments over the years ended October 31, 2023 and 2022, respectively:

	Reviewed				
	Scholarship Commitments at 11/1/2022	Awarded	Used	Expired	Scholarship Commitments at 10/31/2023
Graduate School	$ 258,245	$ 116,145	$ 145,845	$ 60,000	$ 168,545
HR School	-	7,000	6,300	-	700
Total	$ 258,245	$ 123,145	$ 152,145	$ 60,000	$ 169,245

	Audited				
	Scholarship Commitments at 11/1/2021	Awarded	Used	Expired	Scholarship Commitments at 10/31/2022
Graduate School	$ 281,080	$ 187,845	$ 165,680	$ 45,000	$ 258,245
HR School	2,100	10,500	12,600	-	-
Total	$ 283,180	$ 198,345	$ 178,280	$ 45,000	$ 258,245

6. Retirement Plan

The Organization has a 401(k) defined contribution retirement savings plan covering all eligible employees as defined in the plan. The Organization is required to make a fixed contribution to the plan equal to 4% of a participant's annual compensation and an additional discretionary matching contribution of up to 6% of a participant's compensation to the plan. The Organization's contributions to the plan were $84,518 and $80,992 for the years ended October 31, 2023 and 2022, respectively.

7. Operating Leases

Leases - Prior to November 1, 2022

The Organization leased office space and certain equipment. The office space lease expired on March 31, 2023. All leases were accounted for as operating leases. Rent expense on the operating leases was $63,875 for the year ended October 31, 2022.

Leases - November 1, 2022 and After

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term.

On April 1, 2023, the Organization entered into a new office space lease. The office space is owned by a sponsoring state banker association which is represented on the Organization's Board of Trustees. The initial lease term of the new office space lease is one year from the commencement date and includes an option to renew for one year extensions with an annual increase based on market conditions not to exceed 5%. The lease automatically renews annually unless either the lessee or lessor provides written notice of nonrenewal. The Organization regularly evaluates the renewal option and when they are reasonably certain of exercise, the Organization includes such options in the lease term. The Organization has estimated that it will exercise this option for 60 months from the commencement of the lease.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, the Organization uses the rate implicit in the lease, or if not readily available, the Organization uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term. The rate used in 2023 was 3.52% on its office space lease.

Right-of-use assets are assessed for impairment in accordance with the Organization's long-lived asset policy. The Organization reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with Topic 842.

The Organization made significant assumptions and judgments in applying the requirements of Topic 842. In particular, the Organization:

- Evaluated whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- Determined whether contracts contain embedded leases; and

The following table summarizes the operating lease right-of-use asset and operating lease liability as of October 31, 2023:

Operating lease right-of-use asset	$	68,152
Operating lease liability:		
Current	$	14,027
Long-term		54,415
Total lease liabilities	$	68,442

The operating lease expense on the office space lease incurred during the year ended October 31, 2023 was $9,429. Additional lease expense for short-term leases was $25,957 during the year ended October 31, 2023.

The table below summarizes the Organization's schedule future minimum lease payments for years ending after October 31, 2023:

Years ending October 31:		
2024	$	16,164
2025		16,402
2026		16,817
2027		17,237
2028		7,255
Total lease payments		73,875
Less present value discount		(5,433)
Total lease liabilities		68,442
Less current portion		(14,027)
Operating lease liability, noncurrent portion	$	54,415

8. Referral Fees

The Organization pays referral fees to various sponsoring state bankers associations for students from their state who enroll in select programs. Most sponsoring state associations are represented on the Organization's Board of Trustees by the senior staff executive from each sponsoring state association. The referral fees paid to these sponsoring associations were $145,572 and $117,483 for the years ended October 31, 2023 and 2022, respectively.

9. Commitments and Contingencies

Financial Awards From Grantors

Financial awards from federal sources in the form of grants recognized in prior periods are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this time.

10. Subsequent Events

The Organization has evaluated subsequent events through February 28, 2024, which is the date that the consolidated financial statements were approved and available to be issued and determined that all subsequent events have been appropriately recognized and disclosed in the accompanying consolidated financial statements.

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidating Schedule of Financial Position
October 31, 2023

	Graduate School of Banking, Inc.	Prochnow Educational Foundation, Inc.	Total	Eliminations	Consolidated
Current Assets					
Cash and cash equivalents	$ 1,081,067	$ 31,256	$ 1,112,323	$ -	$ 1,112,323
Accrued interest and dividends	-	31,372	31,372	-	31,372
Accounts receivable	563	-	563	-	563
Other receivable	90,064	-	90,064	-	90,064
Intercompany receivable (payable)	104	(104)	-	-	-
Prepaid expenses	47,147	879	48,026	-	48,026
Total current assets	1,218,945	63,403	1,282,348	-	1,282,348
Investments	-	8,495,653	8,495,653	-	8,495,653
Restricted Cash	10,027	-	10,027	-	10,027
Operating Right-of-Use Asset	68,152	-	68,152	-	68,152
Property, Equipment and Software, Net	228,612	-	228,612	-	228,612
Total assets	$ 1,525,736	$ 8,559,056	$ 10,084,792	$ -	$ 10,084,792
Current Liabilities					
Accounts payable	$ 158,767	$ -	$ 158,767	$ -	$ 158,767
Accrued liabilities	92,737	-	92,737	-	92,737
Deferred revenue	150,148	-	150,148	-	150,148
Current portion of operating lease liability	14,027	-	14,027	-	14,027
Total current liabilities	415,679	-	415,679	-	415,679
Long-Term Portion of Operating Lease Liability	54,415	-	54,415	-	54,415
Total liabilities	470,094	-	470,094	-	470,094
Net Assets					
Without donor restrictions	1,055,642	8,544,056	9,599,698	-	9,599,698
With donor restrictions	-	15,000	15,000	-	15,000
Total net assets	1,055,642	8,559,056	9,614,698	-	9,614,698
Total liabilities and net assets	$ 1,525,736	$ 8,559,056	$ 10,084,792	$ -	$ 10,084,792

DRAFT 2.21.24

Graduate School of Banking, Inc. and
Herbert V. Prochnow Educational Foundation, Inc.

Consolidating Schedule of Activities
Year Ended October 31, 2023

	Without Donor Restrictions		With Donor Restrictions				
	Graduate School of Banking, Inc.	Prochnow Educational Foundation, Inc.	Prochnow Educational Foundation, Inc.	Total Prochnow Educational Foundation, Inc.	Total	Eliminations	Consolidated
Revenues and Public Support							
Program revenue	$ 3,900,329	$ -	$ -	$ -	$ 3,900,329	$ (152,145)	$ 3,748,184
Other	133,952	6,500	-	6,500	140,452	(40,000)	100,452
Net investment return	2,165	82,323	-	82,323	84,488	-	84,488
Release from restrictions	-	3,000	(3,000)	-	-	-	-
Total revenues and public support	4,036,446	91,823	(3,000)	88,823	4,125,269	(192,145)	3,933,124
Expenses							
Program	2,443,572	152,145	-	152,145	2,595,717	(152,145)	2,443,572
Management and general	1,351,711	59,747	-	59,747	1,411,458	(40,000)	1,371,458
Total expenses	3,795,283	211,892	-	211,892	4,007,175	(192,145)	3,815,030
Change in net assets	241,163	(120,069)	(3,000)	(123,069)	118,094	-	118,094
Net Assets, Beginning	814,479	8,664,125	18,000	8,682,125	9,496,604	-	9,496,604
Net Assets, Ending	$ 1,055,642	$ 8,544,056	$ 15,000	$ 8,559,056	$ 9,614,698	$ -	$ 9,614,698