

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

Consolidated Financial Statements and  
Supplementary Information

October 31, 2024 and 2023

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## **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 statements of financial position as of October 31, 2024 and 2023, and the related consolidated statements of activities, cash flows and functional revenues and public support and expenses for the years 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 engagements 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 reviews, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Supplementary Information**

The consolidating schedules included in the supplementary information are presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets and cash flows of the individual organizations, and it is not a required part of the 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  
March 20, 2025

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

Consolidated Statements of Financial Position  
October 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 782,242	\$ 1,112,323
Accrued interest and dividends	31,550	31,372
Accounts receivable	13,443	563
Other receivable	90,064	90,064
Prepaid expenses	<u>105,653</u>	<u>48,026</u>
Total current assets	1,022,952	1,282,348
<b>Investments</b>	10,298,828	8,495,653
<b>Restricted Cash</b>	10,030	10,027
<b>Operating Right-of-Use Asset</b>	54,654	68,152
<b>Property, Equipment and Software, Net</b>	<u>208,199</u>	<u>228,612</u>
Total assets	<u><u>\$ 11,594,663</u></u>	<u><u>\$ 10,084,792</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 173,335	\$ 158,767
Accrued liabilities	109,248	92,737
Deferred revenue	115,370	150,148
Current portion of operating lease liability	<u>14,665</u>	<u>14,027</u>
Total current liabilities	412,618	415,679
<b>Long-Term Portion of Operating Lease Liability</b>	<u>40,431</u>	<u>54,415</u>
Total liabilities	<u>453,049</u>	<u>470,094</u>
<b>Net Assets</b>		
Without donor restrictions	11,129,614	9,599,698
With donor restrictions	<u>12,000</u>	<u>15,000</u>
Total net assets	<u>11,141,614</u>	<u>9,614,698</u>
Total liabilities and net assets	<u><u>\$ 11,594,663</u></u>	<u><u>\$ 10,084,792</u></u>

See notes to consolidated financial statements

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

Consolidated Statements of Activities  
Years Ended October 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues and Public Support</b>						
Program revenue (net of \$124,055 and \$152,145 in scholarships in 2024 and 2023, respectively)	\$ 3,533,494	\$ -	\$ 3,533,494	\$ 3,748,184	\$ -	\$ 3,748,184
Other	73,023	-	73,023	100,452	-	100,452
Net investment return	1,873,897	-	1,873,897	84,488	-	84,488
Release from restrictions	3,000	(3,000)	-	3,000	(3,000)	-
Total revenues and public support	5,483,414	(3,000)	5,480,414	3,936,124	(3,000)	3,933,124
<b>Expenses</b>						
Program	2,337,825	-	2,337,825	2,443,572	-	2,443,572
Management and general	1,615,673	-	1,615,673	1,371,458	-	1,371,458
Total expenses	3,953,498	-	3,953,498	3,815,030	-	3,815,030
Changes in net assets	1,529,916	(3,000)	1,526,916	121,094	(3,000)	118,094
<b>Net Assets, Beginning</b>	9,599,698	15,000	9,614,698	9,478,604	18,000	9,496,604
<b>Net Assets, Ending</b>	<u>\$ 11,129,614</u>	<u>\$ 12,000</u>	<u>\$ 11,141,614</u>	<u>\$ 9,599,698</u>	<u>\$ 15,000</u>	<u>\$ 9,614,698</u>

See notes to consolidated financial statements

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

Consolidated Statements of Cash Flows  
Years Ended October 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 1,526,916	\$ 118,094
Adjustments to reconcile changes in net assets to net cash flows from operating activities:		
Depreciation and amortization	189,186	247,545
Net realized investment gains	(294,347)	(115,771)
Net unrealized investment (gains) losses	(1,244,574)	290,938
Lease costs	152	290
Changes in assets and liabilities:		
Accrued interest and dividends	(178)	(13,564)
Accounts receivable	(12,880)	24,312
Prepaid expenses	(57,627)	8,359
Accounts payable	14,568	(22,396)
Accrued liabilities	16,511	12,545
Deferred revenue	(34,778)	(123,667)
Net cash flows from operating activities	<u>102,949</u>	<u>426,685</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property, equipment and software	(168,773)	(116,551)
Purchases of investments	(1,208,994)	(3,068,563)
Proceeds from sales of investments	<u>944,740</u>	<u>3,035,976</u>
Net cash flows from investing activities	<u>(433,027)</u>	<u>(149,138)</u>
Net change in cash, cash equivalents and restricted cash	(330,078)	277,547
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>1,122,350</u>	<u>844,803</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u><u>\$ 792,272</u></u>	<u><u>\$ 1,122,350</u></u>
<b>Supplemental Cash Flow Disclosures</b>		
Operating right-of-use asset obtained in exchange for operating lease liability at implementation	<u>\$ -</u>	<u>\$ 76,400</u>
Cash paid for amounts included in the measurement of lease liability:		
Operating cash flows from operating lease	<u><u>\$ 16,360</u></u>	<u><u>\$ 9,429</u></u>

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

**DRAFT 2/6/2025**

Consolidated Statement of Functional Revenues and Public Support and Expenses  
Year Ended October 31, 2024

	Educational Programs				Total Program	Management and General	Total
	Graduate School	Specialty Schools	Online Seminars	Advanced Programs			
<b>Revenues and Public Support</b>							
Program revenue (net of \$124,055 in scholarships)	\$ 2,448,033	\$ 777,100	\$ 308,361	\$ -	\$ 3,533,494	\$ -	\$ 3,533,494
Other	40,130	7,106	-	19,463	66,699	6,324	73,023
Net investment return	-	-	-	-	-	1,873,897	1,873,897
Total revenues and public support	2,488,163	784,206	308,361	19,463	3,600,193	1,880,221	5,480,414
<b>Expenses</b>							
Wages and benefits	272,087	34,201	69,102	-	375,390	832,488	1,207,878
Honorariums and professional fees	363,600	127,400	120,575	8,000	619,575	185,723	805,298
Public relations and promotion	-	-	-	-	-	173,442	173,442
Travel	133,335	45,134	500	2,144	181,113	159,948	341,061
Supplies, materials and technology	85,979	2,161	-	-	88,140	188,850	276,990
Student lodging and meals	597,883	69,219	-	-	667,102	-	667,102
Occupancy	33,713	45,309	2,959	-	81,981	36,103	118,084
Rebates, referral fees and revenue sharing	1,750	94,182	78,525	-	174,457	-	174,457
Depreciation and amortization	150,067	-	-	-	150,067	39,119	189,186
Total expenses	1,638,414	417,606	271,661	10,144	2,337,825	1,615,673	3,953,498
Change in net assets	\$ 849,749	\$ 366,600	\$ 36,700	\$ 9,319	\$ 1,262,368	\$ 264,548	\$ 1,526,916

See notes to consolidated financial statements



**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

	Educational Programs						
	Graduate School	Specialty Schools	Online Seminars	Advanced Programs	Total Program	Management and General	Total
<b>Revenues and Public Support</b>							
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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,488</u>	<u>84,488</u>
Total revenues and public support	<u>2,557,845</u>	<u>809,131</u>	<u>444,666</u>	<u>30,455</u>	<u>3,842,097</u>	<u>91,027</u>	<u>3,933,124</u>
<b>Expenses</b>							
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
	<u>1,663,175</u>	<u>412,128</u>	<u>341,082</u>	<u>27,187</u>	<u>2,443,572</u>	<u>1,371,458</u>	<u>3,815,030</u>
Total expenses	<u>1,663,175</u>	<u>412,128</u>	<u>341,082</u>	<u>27,187</u>	<u>2,443,572</u>	<u>1,371,458</u>	<u>3,815,030</u>
Change in net assets	<u>\$ 894,670</u>	<u>\$ 397,003</u>	<u>\$ 103,584</u>	<u>\$ 3,268</u>	<u>\$ 1,398,525</u>	<u>\$ (1,280,431)</u>	<u>\$ 118,094</u>

See notes to consolidated financial statements

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

Notes to Consolidated Financial Statements  
October 31, 2024 and 2023

**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, are as follows:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 782,242	\$ 1,112,323
Restricted cash	<u>10,030</u>	<u>10,027</u>
Total	<u>\$ 792,272</u>	<u>\$ 1,122,350</u>

**Accounts Receivable, Prior to November 1, 2023**

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.

**Accounts Receivable, After November 1, 2023**

Accounts receivable consists primarily of amounts due from financial institutions and participants for educational-related programs. The Organization recognizes an allowance for credit losses for trade and other receivables to present the net amount expected to be collected as of the consolidated statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the consolidated statement of financial position date. Receivables are written off when the Organization determines that such receivables are deemed uncollectible. The Organization pools its receivables based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. The Organization has one pool. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

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

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Notes to Consolidated Financial Statements  
October 31, 2024 and 2023

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, the Organization considers current and forecasted direction of the economic and business environment. Such forecasted information includes: GDP growth, unemployment rates and interest rates amongst others.

**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 and right-of-use assets 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, 2024 and 2023, the Organization had net assets with donor restrictions of \$12,000 and \$15,000, 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, 2024 and 2023.

## 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, 2024 and 2023 are as follows:

	<u>November 1, 2022</u>	<u>October 31, 2023</u>	<u>October 31, 2024</u>
Accounts receivable	\$ 24,875	\$ 563	\$ 13,443
Contract liabilities, current	273,815	150,148	115,370

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, 2024 and 2023, 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 \$92,779 and \$80,026 for the years ended October 31, 2024 and 2023, 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, 2024 and 2023, the Organization had an ERC receivable of \$90,064 within other receivable on the consolidated statements of financial position. No allowance was deemed necessary as of October 31, 2024 and 2023 as management believes it qualified for the program 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

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current generally accepted accounting principals (GAAP), which generally require that a loss be incurred before it is recognized. On November 1, 2023, the Organization adopted the ASU using the modified retrospective approach. There was no adjustment to net assets upon adoption.

## 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:

	2024	2023
Cash and cash equivalents	\$ 782,242	\$ 1,112,323
Accounts, interest and other receivable	135,057	121,999
Investments	10,298,828	8,495,653
Less donor restricted assets	(12,000)	(15,000)
Total financial assets	<u>\$ 11,204,127</u>	<u>\$ 9,714,975</u>

As of October 31, 2024, the Organization had cash on hand to cover approximately 74 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 was available for scholarships in fiscal year 2024 and 2023.

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.

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

Notes to Consolidated Financial Statements  
October 31, 2024 and 2023

### 3. Investments

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

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 1,097	\$ 4,054
Common stock and funds	6,686,431	5,606,570
Preferred stock and funds	808,021	460,178
Corporate bonds	814,344	690,258
Bond sector exchange traded funds (ETFs)	813,833	358,904
Government bonds	1,175,102	1,375,689
Total investments	<u>\$ 10,298,828</u>	<u>\$ 8,495,653</u>

#### 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.



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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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

		2024			
		Level 1	Level 2	Level 3	Total
Assets:					
Common stock and funds	\$	6,686,431	\$ -	\$ -	\$ 6,686,431
Preferred stock and funds		808,021	-	-	808,021
Corporate bonds		-	814,344	-	814,344
Bond sector ETFs		813,833	-	-	813,833
Government bonds		-	1,175,102	-	1,175,102
Total investments at fair value	\$	<u>8,308,285</u>	<u>\$ 1,989,446</u>	<u>\$ -</u>	10,297,731
Money market funds					1,097
Total investments					<u>\$ 10,298,828</u>
		2023			
		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	\$	<u>6,425,652</u>	<u>\$ 2,065,947</u>	<u>\$ -</u>	8,491,599
Money market funds					4,054
Total investments					<u>\$ 8,495,653</u>



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**4. Property, Equipment and Software**

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

	<b>Useful Lives</b>	<b>2024</b>	<b>2023</b>
Furniture and fixtures	10 years	\$ 18,119	\$ 5,547
Software	3-5 years	<u>1,293,393</u>	<u>1,137,193</u>
Property, equipment and software, at cost		1,311,512	1,142,740
Less accumulated depreciation and amortization		<u>(1,103,313)</u>	<u>(914,128)</u>
Property, equipment and software, net		<u>\$ 208,199</u>	<u>\$ 228,612</u>

**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, 2024 and 2023 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, 2024 and 2023, respectively:

	<b>Scholarship Commitments at 11/1/2023</b>	<b>Awarded</b>	<b>Used</b>	<b>Expired</b>	<b>Scholarship Commitments at 10/31/2024</b>
Graduate School	\$ 168,545	\$ 125,475	\$ 119,155	\$ 31,500	\$ 143,365
HR School	<u>700</u>	<u>4,900</u>	<u>4,900</u>	<u>-</u>	<u>700</u>
Total	<u>\$ 169,245</u>	<u>\$ 130,375</u>	<u>\$ 124,055</u>	<u>\$ 31,500</u>	<u>\$ 144,065</u>

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	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	<u>\$ 258,245</u>	<u>\$ 123,145</u>	<u>\$ 152,145</u>	<u>\$ 60,000</u>	<u>\$ 169,245</u>

## 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 \$88,737 and \$84,518 for the years ended October 31, 2024 and 2023, respectively.

## 7. Operating Leases

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.

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.

The 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.

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:

	<u>2024</u>	<u>2023</u>
Operating lease right-of-use asset	\$ 54,654	\$ 68,152
Operating lease liability:		
Current	\$ 14,665	\$ 14,027
Long-term	40,431	54,415
Total lease liabilities	<u>\$ 55,096</u>	<u>\$ 68,442</u>

The operating lease expense on the office space lease incurred during the years ended October 31, 2024 and 2023 was \$16,360 and \$9,429, respectively. Additional lease expense for short-term leases was \$436 and \$25,957, during the year ended October 31, 2024 and 2023, respectively.

The table below summarizes the Organization's schedule future minimum lease payments for years ending after October 31, 2024:

Years ending October 31:	
2025	\$ 16,789
2026	17,293
2027	17,811
2028	<u>7,513</u>
Total lease payments	59,406
Less present value discount	<u>(4,310)</u>
Total lease liabilities	55,096
Less current portion	<u>(14,665)</u>
Operating lease liability, noncurrent portion	<u>\$ 40,431</u>

**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 \$110,025 and \$145,572 for the years ended October 31, 2024 and 2023, 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 March 20, 2025, 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.

**Graduate School of Banking, Inc. and  
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Consolidating Schedule of Financial Position  
October 31, 2024

	<b>Graduate School of Banking, Inc.</b>	<b>Prochnow Educational Foundation, Inc.</b>	<b>Total</b>	<b>Eliminations</b>	<b>Consolidated</b>
<b>Current Assets</b>					
Cash and cash equivalents	\$ 713,308	\$ 68,934	\$ 782,242	\$ -	\$ 782,242
Accrued interest and dividends	-	31,550	31,550	-	31,550
Accounts receivable	13,443	-	13,443	-	13,443
Other receivable	90,064	-	90,064	-	90,064
Prepaid expenses	103,467	2,186	105,653	-	105,653
Total current assets	920,282	102,670	1,022,952	-	1,022,952
<b>Investments</b>	-	10,298,828	10,298,828	-	10,298,828
<b>Restricted Cash</b>	10,030	-	10,030	-	10,030
<b>Operating Right-of-Use Asset</b>	54,654	-	54,654	-	54,654
<b>Property, Equipment and Software, Net</b>	208,199	-	208,199	-	208,199
Total assets	<u>\$ 1,193,165</u>	<u>\$ 10,401,498</u>	<u>\$ 11,594,663</u>	<u>\$ -</u>	<u>\$ 11,594,663</u>
<b>Current Liabilities</b>					
Accounts payable	\$ 173,335	\$ -	\$ 173,335	\$ -	\$ 173,335
Accrued liabilities	109,248	-	109,248	-	109,248
Deferred revenue	115,370	-	115,370	-	115,370
Current portion of operating lease liability	14,665	-	14,665	-	14,665
Total current liabilities	412,618	-	412,618	-	412,618
<b>Long-Term Portion of Operating Lease Liability</b>	40,431	-	40,431	-	40,431
Total liabilities	<u>453,049</u>	<u>-</u>	<u>453,049</u>	<u>-</u>	<u>453,049</u>
<b>Net Assets</b>					
Without donor restrictions	740,116	10,389,498	11,129,614	-	11,129,614
With donor restrictions	-	12,000	12,000	-	12,000
Total net assets	<u>740,116</u>	<u>10,401,498</u>	<u>11,141,614</u>	<u>-</u>	<u>11,141,614</u>
Total liabilities and net assets	<u>\$ 1,193,165</u>	<u>\$ 10,401,498</u>	<u>\$ 11,594,663</u>	<u>\$ -</u>	<u>\$ 11,594,663</u>

**Graduate School of Banking, Inc. and  
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Consolidating Schedule of Activities  
Year Ended October 31, 2024

	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
<b>Revenues and Public Support</b>							
Program revenue	\$ 3,657,549	\$ -	\$ -	\$ -	\$ 3,657,549	\$ (124,055)	\$ 3,533,494
Other	107,006	231,017	-	231,017	338,023	(265,000)	73,023
Net investment return	65,695	1,808,202	-	1,808,202	1,873,897	-	1,873,897
Release from restrictions	-	3,000	(3,000)	-	-	-	-
Total revenues and public support	3,830,250	2,042,219	(3,000)	2,039,219	5,869,469	(389,055)	5,480,414
<b>Expenses</b>							
Program	2,562,825	124,055	-	124,055	2,686,880	(349,055)	2,337,825
Management and general	1,582,951	72,722	-	72,722	1,655,673	(40,000)	1,615,673
Total expenses	4,145,776	196,777	-	196,777	4,342,553	(389,055)	3,953,498
Change in net assets	(315,526)	1,845,442	(3,000)	1,842,442	1,526,916	-	1,526,916
<b>Net Assets, Beginning</b>	1,055,642	8,544,056	15,000	8,559,056	9,614,698	-	9,614,698
<b>Net Assets, Ending</b>	\$ 740,116	\$ 10,389,498	\$ 12,000	\$ 10,401,498	\$ 11,141,614	\$ -	\$ 11,141,614