



## **Financial Statement Summary FY 2025**

### **Overview**

The financial statements of Montserrat College of Art, Inc. (the “College”) for fiscal year 2025 reflect a continued period of financial pressure, partially offset by strategic actions and non-operating gains. While the College reported a modest overall decline in net assets of \$284,253, this represents a significant improvement compared to the \$1.87 million decline in FY2024. The improvement was largely driven by increased contributions, asset sales, and investment performance.

However, core operations remain structurally challenged, with operating expenses exceeding operating revenues, ongoing liquidity constraints, and continued reliance on non-operating activities and external funding.

### **Financial Position**

Total assets decreased from \$19.9 million in 2024 to \$18.7 million in 2025, primarily due to reductions in marketable securities and the sale of an excess student housing building. Cash and equivalents increased significantly to \$1.16 million (from \$0.68 million), reflecting improved short-term liquidity driven by financing and investing activities.

Total liabilities declined from \$12.2 million to \$11.3 million, largely due to reductions in bond obligations and accounts payable. Notably, the College added a \$250,000 line of credit balance in 2025, indicating reliance on short-term borrowing.

Net assets decreased slightly from \$7.67 million to \$7.39 million. Within this:

- Net assets without donor restrictions declined by \$833,335, reflecting operating losses.
- Net assets with donor restrictions increased by \$549,082, driven by strong donor contributions and investment returns.

## **Operating Results**

The College continues to experience operating deficits. For FY2025:

- Total operating revenues: \$10.0 million
- Total operating expenses: \$11.5 million
- Operating loss: \$1.53 million

While still negative, this is an improvement from the \$2.66 million operating loss in FY2024.

Key Revenue Drivers:

- Net tuition, fees, and housing: \$7.18 million (down from \$7.91 million in 2024), reflecting enrollment and discounting pressures.
- Private contributions: \$2.25 million (significantly up from \$709,083 in 2024), representing a critical offset to tuition revenue shortfall.
- Grants and other income: remained relatively stable.

Expense Structure:

Total expenses remained consistent year-over-year at approximately \$11.5 million. Major cost drivers include:

- Salaries and benefits: \$6.4 million (largest component)
- Student services and housing: \$4.13 million
- Management and general: \$4.18 million

The expense structure indicates a high fixed-cost base, limiting flexibility in response to revenue fluctuations.

## **Non-Operating Activity**

Non-operating income played a critical role in mitigating operating losses. In FY2025, the College recorded \$1.24 million in non-operating income, compared to \$793,160 in 2024. This includes:

- Gain on sale of fixed assets: \$587,724
- Lease income: \$297,358
- Investment income: \$355,949

These gains significantly reduced the overall decline in net assets and highlighted reliance on non-recurring or external income sources.

## **Debt and Obligations**

The College carries significant debt, though balances decreased in FY2025:

- Bonds payable: reduced to \$3.42 million (from \$4.50 million)
- Notes payable: \$1.36 million
- Operating lease liabilities: \$5.14 million

Total debt obligations remain substantial relative to the College's size and operating cash flow. Additionally:

- The College was in technical default on a debt covenant, though a waiver was obtained through September 2026.
- Management plans to address debt through asset sales and refinancing.

Subsequent events indicate progress, including the full repayment of bond debt in early 2026 using proceeds from property sales.

## **Management's Response and Outlook**

Management has implemented several strategies to stabilize operations:

- Programmatic changes to enhance student outcomes and enrollment appeal
- Property sales to reduce debt and improve liquidity
- Cost reduction initiatives, including healthcare savings and operational efficiencies
- Fundraising efforts, including a committed \$500,000 donor contribution
- Strategic planning (Montserrat 2035) focused on long-term sustainability

Management believes these actions will provide sufficient liquidity for at least the next 12 months to support ongoing operations, though uncertainties remain.

## **Conclusion**

FY2025 reflects a transitional year for the College. While operating losses persist, improvements in contributions, non-operating income, and debt reduction efforts have stabilized the overall financial position relative to FY2024.

Long-term sustainability will depend on the College's ability to:

- Reverse enrollment declines,
- Achieve structural operating balance,
- Maintain donor support, and
- Successfully execute its asset monetization and strategic initiatives.

The financial trajectory shows cautious improvement, but continued vigilance and strategic execution will be critical in the coming years.