



MIDDLEBURY

Consolidated Financial Statements

June 30, 2025

**(with summarized comparative information as of and
for the year ended June 30, 2024)**

(With Independent Auditors' Report Thereon)

MIDDLEBURY

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KPMG LLP
Two Financial Center
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Independent Auditors' Report

The President and Fellows of
Middlebury College:

Opinion

We have audited the consolidated financial statements of Middlebury College (the College), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the College as of June 30, 2025, and the changes in net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We previously audited the College's consolidated financial statements as of and for the year ended June 30, 2024, and we expressed an unmodified opinion on those consolidated financial statements in our report dated October 30, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Boston, Massachusetts
October 27, 2025

MIDDLEBURY

Consolidated Statements of Financial Position

June 30, 2025 and 2024
(Amounts in thousands)

Assets	2025	2024
Cash and cash equivalents	\$ 27,616	5,228
Restricted cash	23,891	34,411
Accounts receivable, net	10,393	8,640
Prepaid expenses, inventories and other assets	14,968	11,989
Contributions receivable, net	75,592	55,056
Student loans receivable, net	7,499	7,578
Investments	1,718,583	1,607,739
Beneficial interest in perpetual trusts	34,374	32,778
Finance lease right of use asset	40,682	42,236
Land, buildings, and equipment, net	430,580	412,445
Total assets	\$ 2,384,178	2,218,100
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 47,271	58,563
Deferred revenues	27,145	19,575
Funds held for others	10,740	10,128
Annuities and other split-interest obligations	28,210	30,278
Refundable government loan funds	1,924	2,601
Operating lease obligations	6,932	5,412
Finance lease obligations	44,872	45,398
Long-term debt, net	371,646	339,706
Total liabilities	538,740	511,661
Net assets:		
Without donor restrictions	196,247	199,554
With donor restrictions	1,649,191	1,506,885
Total net assets	1,845,438	1,706,439
Total liabilities and net assets	\$ 2,384,178	2,218,100

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Activities

Year ended June 30, 2025

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

(Amounts in thousands)

	Without donor restrictions	With donor restrictions	Total	
			2025	2024
Operating revenues and other support:				
Net comprehensive and other student fees	\$ 185,588	—	185,588	184,400
Contributions	8,302	13,978	22,280	21,499
Sponsored activities	20,638	—	20,638	22,891
Investment return, net:				
Endowment distribution and investment income	13,853	64,655	78,508	70,757
Other sources	18,782	—	18,782	18,012
Net assets released from restrictions	79,001	(79,001)	—	—
Total operating revenues and other support	326,164	(368)	325,796	317,559
Operating expenses:				
Salaries	153,175	—	153,175	148,468
Benefits	62,060	—	62,060	55,522
Building and maintenance	18,160	—	18,160	17,734
Fees for services	24,476	—	24,476	26,005
Equipment and supplies	9,969	—	9,969	10,172
Travel and entertainment	10,215	—	10,215	10,583
Other expenses	25,820	—	25,820	26,294
Interest expense	10,993	—	10,993	10,627
Depreciation and amortization	23,624	—	23,624	22,722
Total operating expenses	338,492	—	338,492	328,127
Change in net assets from operations	(12,328)	(368)	(12,696)	(10,568)
Nonoperating activities:				
Endowment return, net of distribution	11,077	80,784	91,861	56,412
Change in value of other investments and deferred gifts	(66)	5,889	5,823	20
Contributions, net	—	57,284	57,284	98,416
Other	(4,480)	1,207	(3,273)	(202)
Net assets released – capital	2,490	(2,490)	—	—
Total nonoperating activities, net	9,021	142,674	151,695	154,646
Change in total net assets	(3,307)	142,306	138,999	144,078
Net assets, beginning of year	199,554	1,506,885	1,706,439	1,562,361
Net assets, end of year	\$ 196,247	1,649,191	1,845,438	1,706,439

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

Years ended June 30, 2025 and 2024
(Amounts in thousands)

	2025	2024
Cash flows from operating activities:		
Change in total net assets	\$ 138,999	144,078
Adjustments to reconcile change in total net assets to net cash used in operating activities:		
Depreciation and amortization	23,624	22,722
Contributions restricted for long-term investments	(50,716)	(72,315)
Real property and other in-kind contributions	(14)	(190)
Amortization of bond issuance costs and bond premium	(1,437)	(1,367)
Loss (gain) on disposal of buildings and equipment	651	(1,397)
Change in accounts receivable credit loss	(91)	328
Change in contributions receivable bad debt allowance	99	16
Change in value of split interest agreements	(2,068)	3,678
Realized and unrealized gain on investments	(162,600)	(123,168)
Unrealized gain on beneficial interest in perpetual trusts and remainder trusts	(1,473)	(2,998)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,844)	3,492
Contributions receivable	(20,560)	(11,500)
Prepaid expenses, inventories and other assets	(1,506)	(5,235)
Accounts payable and accrued expenses	1,229	11,167
Deferred revenues	7,570	(5,555)
Funds held for others	612	50
Other	(678)	(295)
Operating lease liability	(1,363)	(1,233)
Net cash used in operating activities	(71,566)	(39,722)
Cash flows from investing activities:		
Proceeds from sales of investments	350,881	249,700
Purchases of investments	(299,125)	(261,431)
Purchases of property and equipment	(39,472)	(54,083)
Student loans granted	(637)	(296)
Student loans repaid	720	1,317
Net cash provided by (used in) investing activities	12,367	(64,793)
Cash flows from financing activities:		
Contributions restricted for long-term investment	50,716	72,315
Proceeds from issuance of long-term debt	44,922	49,334
Payments on bonds and notes payable	(11,545)	(8,955)
Payments of finance lease liability	(526)	(452)
Advance from line of credit	46,000	45,000
Payment of advance from line of credit	(58,500)	(32,500)
Net cash provided by financing activities	71,067	124,742
Net change in cash and cash equivalents	11,868	20,227
Cash, cash equivalents and restricted cash:		
Beginning of year	39,639	19,412
End of year	\$ 51,507	39,639
Supplemental data:		
Cash and cash equivalents as shown in the Statements of Financial Position	\$ 27,616	5,228
Restricted cash as shown in the Statements of Financial Position	23,891	34,411
Interest paid	10,993	11,994
Change in amounts accrued for purchase of property and equipment	(21)	(3,019)

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

(1) Organization

The President and Fellows of Middlebury College (Middlebury) was founded in 1800 as a liberal arts college. The undergraduate institution, Middlebury College (the College), is a leading liberal arts college with an emphasis on literature, sciences, languages, international studies and environmental studies. The College has approximately 2,600 undergraduate students from all 50 states and 70 countries. Approximately 70% of the students are from outside of New England. Over one-half of the students spend at least one semester off campus, primarily outside of the United States of America. The College has study abroad programs located in Argentina, Brazil, Cameroon, Chile, China, France, Germany, Italy, Japan, Jordan, Morocco, Puerto Rico, Russia (temporarily located in Kazakhstan), Spain, Taiwan, the United Kingdom, and Uruguay.

The Middlebury Schools are comprised of Schools Abroad, Language Schools, School of the Environment, and Bread Loaf Programs (collectively, the Schools). The Schools enroll approximately 2,400 students and offer undergraduate and graduate programs in a variety of programs.

- The Schools Abroad offer undergraduate and graduate students the opportunity to study in one of 16 schools worldwide across 32 sites. Students take courses in a variety of subjects, often with host country students, intern or engage in volunteer work, and live with a family or local students. Participants in the Middlebury Schools Abroad have a commitment to language and cultural immersion.
- The Language Schools, which began operations in 1915, focus on educating undergraduate and graduate language students from many disciplines at two sites in the United States and two sites abroad. There are programs in Abenaki, Arabic, Chinese, English, French, German, Hebrew, Italian, Japanese, Korean, Portuguese, Russian, and Spanish with a goal to improve language and intercultural skills. The Language Schools provide access to language education through an interactive, immersion environment by incorporating linguistics, literature, culture, and area studies.
- The School of the Environment is a six-week undergraduate program held in Monterey, California, offering leadership training, lab and field work, and interdisciplinary courses.
- Middlebury offers two Bread Loaf Programs, the Bread Loaf School of English and the Bread Loaf Writers' Conference. Beginning in 1920, the Bread Loaf School of English has offered graduate courses in literature, the teaching of writing, creative writing, and theater arts to students from across the United States and the world. The Bread Loaf School of English offers summer sessions in Vermont, California, remote and at Oxford in the United Kingdom. The Bread Loaf Writers' Conference is the oldest writers' conference in America, held each summer in June and August at Middlebury's Bread Loaf Mountain campus amid the Green Mountain National Forest in Ripton, Vermont.

The Middlebury graduate school, the Middlebury Institute of International Studies at Monterey, (the Institute), is located in Monterey, California. The Institute enrolls approximately 450 students and provides higher education in translation, interpretation and language education and international policy management. In addition, there are four research centers at the Institute, the James Martin Center for Nonproliferation Studies, the Center for the Blue Economy, the Center for Conflict Studies in Monterey and the Vienna Center for Disarmament and Nonproliferation in Vienna, Austria.

Delineation Corporation, an affiliated entity of Middlebury, is a nonprofit organization founded to hold certain property. Middlebury advances funds to Delineation Corporation for expenses incurred for maintenance of real property.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

Tax-Exempt Status

Middlebury and its affiliates are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code and they recognize the effect of income tax positions only if those positions are more likely than not of being sustained by a taxing authority. Middlebury and its affiliates believe they have no significant uncertain tax positions.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include Middlebury and its affiliated entities. All inter-entity transactions have been eliminated in consolidation.

(b) Basis of Accounting

The consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), on the accrual basis of accounting and present net assets, revenues, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Without Donor Restrictions: Net assets not subject to donor-imposed stipulations. Net assets, without donor restrictions may be designated for specific purposes by the Board of Trustees.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that expire through the passage of time or can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless restricted by donor or by law. Expirations in subsequent years of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from restrictions between the applicable classes of net assets.

Nonoperating activities include net return on investments, less amounts distributed for operating purposes, contributions for long-term investment such as endowment and capital, and the change in value of deferred gifts.

For comparison purposes, the 2025 statement of activities has been presented with 2024 summarized comparative information in total but not by net asset class. This summarized 2024 information is not intended to and does not include sufficient detail to constitute a complete presentation of changes in net assets in conformity with GAAP. Accordingly, such information should be read in conjunction with Middlebury's financial statements for the year ended June 30, 2024, from which the summarized information was derived.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(d) Student Tuition and Fee Revenue

The College charges undergraduate students attending the Vermont campus a comprehensive fee which includes the cost of tuition, room and board, and fees. The Institute charges its graduate students tuition and related fees.

Tuition, fees and auxiliary student revenues are presented in the statement of activities at the transaction price, (i.e., net of any institutional student aid). Revenue from student education, residence and dining services are recognized as the services are provided over the academic year, which generally aligns with Middlebury's fiscal year. For fiscal year 2025, comprehensive student fees were \$280,702 and financial aid was \$95,114. For fiscal year 2024, comprehensive student fees were \$276,664 and financial aid was \$92,264.

Auxiliary enterprises include the operations of the dining services, residential halls, bookstores, Snow Bowl, Carroll and Jane Rikert Nordic Center, and the Ralph Myhre Golf Course. Revenues from auxiliary enterprises, except for the revenue from residential and dining halls, are included in other sources of operating revenues in the statement of activities. The revenues derived from residential and dining halls are included in net comprehensive and other student fees.

(e) Cash and Cash Equivalents

Cash and cash equivalents include interest-bearing money market accounts not held for investment purposes. Cash equivalents have original maturities of three months or less. Cash equivalents held for investment purposes are not considered cash and cash equivalents on the statement of cash flows. Restricted cash represents cash held for construction projects.

(f) Contributions

Contributions, including interests in perpetual trusts held by others, unconditional promises to give and noncash assets, are recognized as revenue in the period received at fair value on the date of the contribution. A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met.

Contributions of land, buildings, and equipment without donor stipulations are reported as nonoperating revenue. Contributions of cash or other assets which a donor has stipulated be used as endowment or to acquire land, buildings, and equipment are reported as restricted nonoperating revenue. The restrictions are considered to be released when assets are placed in service.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

(g) Contributions Receivable

Contributions receivable include pledges that are recorded at their present value using discount rates at the date of the contribution that range from 2.4% to 7.6%. The present value is calculated using a risk-free rate of return adjusted for the credit risk. An allowance is made for potentially uncollectible contributions based upon management's past collection experience and other relevant factors.

(h) Fair Value

The fair value accounting standard defines fair value and establishes a framework for measuring fair value. The framework provides a 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 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under this principle are as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that Middlebury 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.

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.

Middlebury utilizes the net asset value (NAV) as a practical expedient to estimate the fair value of those funds whose values are determined by the appropriate manager or general partner. Such NAV-measured funds are not categorized in the fair value hierarchy.

Investments reported at NAV consist of shares or units in funds as opposed to direct interests in the funds' underlying securities, which may be readily marketable and not difficult to value. The majority of these fund managers are registered as required by the Securities and Exchange Commission.

Certain investments in funds contain lock-up provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

The fair value measurement level of the asset or liability 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.

These valuations may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Middlebury believes its valuation methods are 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.

Because of the inherent uncertainty of valuations, the estimated values as determined by the appropriate manager or general partners may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

(i) Beneficial Interest in Perpetual Trusts

Beneficial interest in perpetual trusts includes irrevocable trusts established for the benefit of Middlebury whereby the principal is held in perpetuity by others and the earnings are remitted to Middlebury. The interest in perpetual trusts is recorded at fair value, which is estimated to equal the fair value of the trust assets.

(j) Land, Buildings, and Equipment

Land, buildings, equipment, arts and antiques are recorded at cost at the date of acquisition or fair value at the date of gift. Depreciation is computed utilizing the straight-line method over the estimated lives of the depreciable assets, as follows (in years):

	<u>Estimated useful lives</u>
Category:	
Land improvements	20–30
Buildings and improvements	20–60
Equipment	4–10

Arts and antiques are maintained as collections and, accordingly, are not depreciated.

(k) Leases

Middlebury determines if an arrangement is a lease at inception. The finance lease is included in right-of-use assets, and the related lease obligations on the statement of financial position. The operating lease right-of-use-assets are included in prepaid expenses, inventories and other assets. Lease right-of-use assets represent Middlebury's right to use an underlying asset for the lease term. Lease obligations represent Middlebury's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments.

(l) Asset Retirement Obligation

An asset retirement obligation (ARO) is a legal obligation associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, Middlebury records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. Middlebury ARO liabilities are reduced when the related obligation is settled. Middlebury has recorded an ARO liability in accounts payable and accrued expenses of \$6,421 and \$6,110 at June 30, 2025 and 2024, respectively.

(m) Deferred Revenues

Deferred revenues consist primarily of student fees related to Middlebury and its language schools, primarily related to payments for services that have not yet been rendered. This liability account also consists of the multi-year prepayment plan, summer school billing (net of financial aid), and sponsored activity. Deferred revenues are typically recognized as revenue within the subsequent fiscal year.

(n) Funds Held for Others

Middlebury acts as a custodian or fiscal agent for student organizations, certain long-term faculty professional development funds, and certain endowment funds for various organizations. These endowment funds are not included in Middlebury's endowment assets.

(o) Annuities and Other Split-Interest Obligations

Donors have made contributions with the stipulation that their contributions be invested and all or a portion of the resulting income be paid to beneficiaries during their lifetimes. Upon the death of the named beneficiaries, the assets become the property of Middlebury. These contributions are recorded in revenue at fair value with corresponding estimated liabilities for future amounts payable to other beneficiaries recorded in annuities and other split-interest obligations. The liabilities associated with these gifts are adjusted to fair value at each reporting period using the terms of the related gift instrument.

(p) Refundable Government Loan Funds

Refundable government loan funds represent Perkins loan funds provided to students by the federal government through Middlebury. Middlebury is required to collect the loans on behalf of the federal government. The amounts due from the students are included in the financial statements as student loans receivable. The amount due to the federal government, upon full liquidation of the program, is reported as refundable government loan funds on the statement of financial position. The Perkins Loan Extension Act of 2015 (the Act) ended the authority of participating institutions to make new Perkins Loans to students on September 30, 2017. The Act also requires each participating institution to refund to the federal government an amount calculated annually based on remaining outstanding loans and other factors.

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June 30, 2025

(In thousands of dollars)

(q) Sponsored Activities

Sponsored activities include various research and instructional programs funded by external parties including the federal government, foreign and state governments, and private foundations.

(r) Reclassifications

The College has reclassified certain prior period amounts to conform to the current year presentation. These reclassifications have not changed the results of operations of prior periods.

(s) Subsequent Events

Middlebury considers events or transactions that occur after the statement of financial position date but before the financial statements are issued to provide for additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued on October 27, 2025, and subsequent events have been evaluated through that date.

In August 2025, the College issued \$23,570 par of Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds, Series 2025 (the Series 2025 Bonds), in a tax-exempt financing. The proceeds of the Bonds, together with other available moneys, are expected to be used to (i) finance a portion of the costs of constructing, renovating, and equipping various capital improvements to educational facilities located on the College's main campus in Middlebury, Vermont (the "Project"), and (ii) pay certain costs of issuance of the Bonds.

In August, 2025, Middlebury announced that it would conclude residential graduate programs and some online degree programs at the Institute. The closure of those programs and operations based in Monterey, California will be completed over the next two years.

(3) Liquidity and Availability

Resources available to Middlebury to fund general expenditures, including debt service payments and construction projects not financed with debt, have seasonal variations related to the timing of tuition and comprehensive fee payments, receipt of gifts and pledges, and transfers from the endowment. Middlebury actively monitors and manages these resources utilizing a combination of short and long term investment strategies to align cash inflows and expected outflows in accordance with policy. At June 30, 2025 and 2024, existing financial assets and liquidity resources available within one year were as follows:

	<u>2025</u>	<u>2024</u>
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 27,616	5,228
Accounts receivable, net	10,393	8,640
Fiscal 2026 and 2025 budgeted endowment appropriation	<u>85,480</u>	<u>76,075</u>
	<u>\$ 123,489</u>	<u>89,943</u>

Additionally, Middlebury has \$250,572 as of June 30, 2025, in board-designated endowment without donor restrictions and a line of credit availability of \$50,000 as referenced in note 9. Although Middlebury does not

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

intend to spend from its board-designated endowment funds, other than amounts appropriated for operations, amounts could be made available if necessary subject to liquidity as outlined in note 5.

(4) Receivables

(a) Accounts Receivable

Accounts receivable consists of receivables for annual comprehensive fees, graduate school tuition, schools abroad tuition, and summer school room, board, and tuition. The provision for credit losses was \$497 and \$588 as of June 30, 2025 and 2024, respectively.

(b) Contributions Receivable

Contributions receivable consists of the following at June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Amounts due in:		
Less than one year	\$ 38,553	15,783
One to five years	48,422	35,476
More than five years	<u>6,299</u>	<u>8,833</u>
	93,274	60,092
Less discount and allowance	<u>(21,292)</u>	<u>(8,770)</u>
	71,982	51,322
Contributions receivable from remainder trusts	<u>3,610</u>	<u>3,734</u>
	<u>\$ 75,592</u>	<u>55,056</u>

(5) Investments

Middlebury has developed a diversified endowment investment portfolio with a strong orientation to equity investments and to strategies designed to take advantage of market inefficiencies. The investment objectives guide the asset allocation policy and are achieved in partnership with external investment managers operating through a variety of vehicles, including separate accounts, limited partnerships, and commingled funds. Investments in real estate and mortgages include investment in real estate partnerships.

Alternative equity managers seek to generate high returns regardless of the direction of the overall stock market and may use derivatives to exploit inefficiencies in securities markets. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps, and other vehicles that may be appropriate in certain circumstances. The risk in alternative equity funds is limited to the amount it currently has invested in the funds. The risk in private equity partnerships is limited to the amount it currently has invested in the funds, legally obligated uncalled capital commitments to the funds, and certain distributions previously received.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

As of June 30, 2025 and 2024, Middlebury had outstanding commitments of \$300,631 and \$388,399, respectively, to fund private partnerships (private equity, hedge and other) over a multi-year period. These capital calls are expected to be funded with cash on hand or using proceeds of liquidated securities.

Included in investments are \$53,180 and \$56,882 at June 30, 2025 and 2024, respectively, for split-interest agreements.

The components of total investment return from all sources consist of the following for the years ended.

	2025	2024
Interest, dividends, and other income, net	\$ 10,283	8,240
Realized gains	90,509	73,502
Unrealized gain, net	72,091	49,666
	<u>\$ 172,883</u>	<u>131,408</u>

Direct external investment management fees were \$6,596 and \$4,459 in 2025 and 2024, respectively, and are netted against interest, dividends, and other income in the table above. Purchase and sale transactions are recorded on a trade date basis.

The following table represents financial assets and liabilities by fair value hierarchy category as of June 30, 2025:

	Level 1	Level 2	Level 3	NAV	Total
Investments at fair value:					
Money market funds	\$ 40,824	—	—	—	40,824
Equity securities	57,554	—	—	—	57,554
Debt securities	111,149	—	—	—	111,149
Real estate and mortgages	5,549	—	9,372	—	14,921
Private equity	—	—	9,644	—	9,644
Other investments	3,467	—	479	—	3,946
	<u>218,543</u>	<u>—</u>	<u>19,495</u>	<u>—</u>	<u>238,038</u>
Total investments at fair value					
Investments measured at net asset value:					
Equity securities	—	—	—	229,162	229,162
Alternative equities	—	—	—	431,824	431,824
Private equity partnerships	—	—	—	819,559	819,559
	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,480,545</u>	<u>1,480,545</u>
Total investments at net asset value					
Total investments	<u>\$ 218,543</u>	<u>—</u>	<u>19,495</u>	<u>1,480,545</u>	<u>1,718,583</u>

MIDDLEBURY

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	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Other assets:					
Remainder trusts	\$ —	—	3,610	—	3,610
Perpetual trusts	—	—	34,374	—	34,374
Total other assets	<u>\$ —</u>	<u>—</u>	<u>37,984</u>	<u>—</u>	<u>37,984</u>

The following table represents financial assets and liabilities by fair value measurements as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Investments at fair value:					
Money market funds	\$ 41,447	—	—	—	41,447
Equity securities	52,068	—	—	—	52,068
Debt securities	103,066	—	—	—	103,066
Real estate and mortgages	7,457	—	8,658	—	16,115
Private equity	—	—	9,756	—	9,756
Other investments	1,632	—	49	—	1,681
Total investments at fair value	<u>205,670</u>	<u>—</u>	<u>18,463</u>	<u>—</u>	<u>224,133</u>
Investments measured at net asset value:					
Equity securities	—	—	—	290,107	290,107
Alternative equities	—	—	—	350,874	350,874
Private equity partnerships	—	—	—	742,625	742,625
Total investments at net asset value	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,383,606</u>	<u>1,383,606</u>
Total investments	<u>\$ 205,670</u>	<u>—</u>	<u>18,463</u>	<u>1,383,606</u>	<u>1,607,739</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>
Other assets:					
Remainder trusts	\$ —	—	3,734	—	3,734
Perpetual trusts	—	—	32,778	—	32,778
Total other assets	<u>\$ —</u>	<u>—</u>	<u>36,512</u>	<u>—</u>	<u>36,512</u>

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(In thousands of dollars)

Detailed liquidity of Middlebury's investments as of June 30, 2025 and June 30, 2024 is as follows:

June 30, 2025						
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	\$ 40,824	—	—	—	—	40,824
Equity securities	57,554	229,162	—	—	—	286,716
Alternative equities	—	—	431,824	—	—	431,824
Debt securities	111,149	—	—	—	—	111,149
Real estate and mortgages	5,549	—	—	—	9,372	14,921
Private equity	—	—	—	—	829,203	829,203
Other investments	3,467	—	—	—	479	3,946
Total	\$ 218,543	229,162	431,824	—	839,054	1,718,583

June 30, 2024						
	Daily	Monthly	Quarterly	Annually	Illiquid	Total
Money market funds	\$ 41,447	—	—	—	—	41,447
Equity securities	52,068	290,107	—	—	—	342,175
Alternative equities	—	—	350,874	—	—	350,874
Debt securities	103,066	—	—	—	—	103,066
Real estate and mortgages	7,457	—	—	—	8,658	16,115
Private equity	—	—	—	—	752,381	752,381
Other investments	1,192	—	—	—	489	1,681
Total	\$ 205,230	290,107	350,874	—	761,528	1,607,739

The following table summarizes the Level 3 activity for the year ended June 30, 2025:

	Beginning balance at June 30, 2024	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2025
Level 3 assets:						
Real estate and mortgages	\$ 8,658	—	(38)	1,500	(748)	9,372
Private equity	9,756	—	(112)	—	—	9,644
Other investments	49	—	—	430	—	479
Total investments	18,463	—	(150)	1,930	(748)	19,495
Remainder trusts	3,734	—	(124)	—	—	3,610
Perpetual trusts	32,778	—	1,596	—	—	34,374
Total investments and other assets	\$ 54,975	—	1,322	1,930	(748)	57,479

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June 30, 2025

(In thousands of dollars)

The following table summarizes the Level 3 activity for the year ended June 30, 2024:

	Beginning balance at June 30, 2023	Realized gains	Change in unrealized gains (losses)	Additions	Deductions	Ending balance at June 30, 2024
Level 3 assets:						
Real estate and mortgages	\$ 8,588	—	70	—	—	8,658
Private equity	7,977	—	1,779	—	—	9,756
Other investments	49	—	—	—	—	49
Total investments	16,614	—	1,849	—	—	18,463
Remainder trusts	3,279	—	455	—	—	3,734
Perpetual trusts	30,235	—	2,543	—	—	32,778
Total investments and other assets	\$ 50,128	—	4,847	—	—	54,975

There were no transfers between the fair value hierarchy levels in 2025 or 2024.

(6) Endowment

The endowment consists of donor-restricted endowment funds and board-designated funds to function as endowment for a variety of purposes. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Middlebury classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) unspent appreciation on the permanent endowment. The unspent appreciation is classified in net assets with donor restrictions until those amounts are appropriated for expenditure by Middlebury in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (both Vermont and California) UPMIFA statutes.

In accordance with the UPMIFA statutes, Middlebury considers the following factors in making a determination to appropriate or accumulate endowment funds:

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

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

The endowment for the years ended June 30, 2025 and 2024, delineated by net asset class and donor-restricted versus Board-designated funds were as follows:

		June 30, 2025		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	1,479,272	1,479,272
Board-designated endowment funds		250,572	—	250,572
Total endowment funds June 30, 2025	\$	250,572	1,479,272	1,729,844

		June 30, 2024		
		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	\$	—	1,362,077	1,362,077
Board-designated endowment funds		235,907	—	235,907
Total endowment funds June 30, 2024	\$	235,907	1,362,077	1,597,984

(a) Changes in Endowment

Changes to the endowment for the year ended June 30, 2025 were as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets at beginning of year	\$ 235,907	1,362,077	1,597,984
Total investment return, net	24,930	145,439	170,369
Contributions	1,296	38,830	40,126
Appropriation of endowment assets for spending distribution	(13,853)	(64,655)	(78,508)
Transfer to/from designated endowment funds	2,292	(2,419)	(127)
Endowment net assets at end of year	\$ 250,572	1,479,272	1,729,844

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June 30, 2025

(In thousands of dollars)

Changes to the endowment for the year ended June 30, 2024 were as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at beginning of year	\$ 222,804	1,246,064	1,468,868
Total investment return, net	18,848	108,592	127,440
Contributions	4,915	67,400	72,315
Appropriation of endowment assets for spending distribution	(11,467)	(59,290)	(70,757)
Transfer to/from designated endowment funds	<u>807</u>	<u>(689)</u>	<u>118</u>
Endowment net assets at end of year	\$ <u>235,907</u>	<u>1,362,077</u>	<u>1,597,984</u>

(b) Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). These deficits result from unfavorable market fluctuations that occur after the investment of endowment funds or from spending deemed prudent.

When donor-restricted endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficits of this nature were \$47 and \$133 as June 30, 2025 and 2024, respectively.

	<u>2025</u>	<u>2024</u>
Aggregate amount by which funds are underwater	\$ (47)	(133)
Aggregate of original gift amount	68	8,598
Fair value of underwater endowments	21	8,465

(c) Distribution Policy

The Board of Trustees approves a distribution of investment return based on the average per share market value of the pooled investments over the 12 calendar quarters preceding the previous calendar year. Calculations are performed for individual endowment funds at a rate of 5.00%. The corresponding calculated spending allocations are distributed monthly from the current net total or accumulated net total investment returns for individual endowment funds.

(d) Return Objectives and Risk Parameters

Middlebury has adopted endowment investment and spending policies that provide for a predictable stream of funding to programs supported by its endowment while seeking to maintain the permanent nature of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the overall investment portfolio's target allocation applied to the appropriate individual benchmarks.

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June 30, 2025

(In thousands of dollars)

Middlebury expects its endowment funds, over time, to generate an average rate of return sufficient to provide for its spending needs plus the rate of growth in expenses, which reflects inflation pressures as well as real growth in Middlebury programs.

(e) Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, Middlebury relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Middlebury targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

(7) Land, Buildings, and Equipment and Right-of-Use Assets

Land, buildings, and equipment and right-of-use assets at June 30, 2025 and 2024 consist of the following:

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 73,912	69,762
Buildings	676,907	673,796
Equipment	157,927	149,946
Art and antiques	23,957	23,617
Construction in progress	<u>57,456</u>	<u>34,094</u>
	990,159	951,215
Less accumulated depreciation	<u>(559,579)</u>	<u>(538,770)</u>
Land, buildings, and equipment, net	430,580	412,445
Operating lease right-of-use assets	6,322	5,038
Finance lease right-of-use asset	<u>40,682</u>	<u>42,236</u>
Total	\$ <u><u>477,584</u></u>	<u><u>459,719</u></u>

Operating lease right-of-use assets are included in prepaid expense, inventories and other assets on the statement of financial position.

Depreciation and amortization expense in 2025 and 2024 was \$23,624 and \$22,722, respectively.

(8) Leases

Middlebury is committed to minimum annual rent payments under several long-term non-cancellable operating and finance leases for student residential and office space through fiscal year 2051.

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(In thousands of dollars)

The components of lease expense are as follows, in thousands of dollars:

	<u>2025</u>	<u>2024</u>
Lease cost:		
Finance lease expense	\$ 2,917	2,930
Interest on lease liabilities	1,361	1,376
Amortization of right-of-use assets	1,555	1,555
Operating lease expense	<u>1,497</u>	<u>1,523</u>
Total lease expense	\$ <u>7,330</u>	<u>7,384</u>

Other information related to leases as of June 30 was as follows:

	<u>2025</u>	<u>2024</u>
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flow from operating leases	\$ 1,363	1,233
Operating cash flow for finance leases	1,463	1,413
Financing cash flow from finance leases	526	452
Reductions to ROU assets resulting from reductions to lease obligations:		
Operating leases	827	1,140
Finance leases	1,555	1,555
Weighted average remaining lease term:		
Operating leases	6.5 years	7 years
Finance leases	26 years	27 years
Weighted average discount rate:		
Operating leases	5.0 %	5.0 %
Finance leases	3.0 %	3.0 %

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Notes to Consolidated Financial Statements

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(In thousands of dollars)

Payments due include options to extend leases that are reasonably certain through fiscal year 2051, in thousands of dollars, and are summarized below as of June 30, 2025:

	<u>Operating</u>	<u>Finance</u>
Fiscal year:		
2026	\$ 1,139	1,949
2027	546	1,993
2028	584	2,038
2029	623	2,083
2030	662	2,130
Thereafter	4,343	57,453
Less amounts representing interest	<u>(965)</u>	<u>(22,774)</u>
Total	\$ <u>6,932</u>	<u>44,872</u>

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(In thousands of dollars)

(9) Long-Term Debt

Long-term debt is comprised of the following at June 30:

	<u>2025</u>	<u>2024</u>
VEHBFA Series 2016 term bonds \$33,055 original principal (uncollateralized) due on November 1, 2046, issued at a premium, interest at 4.00%	\$ 33,055	33,055
2016 direct placement term loan \$21,840 original principal, (uncollateralized) with annual principal payments ranging from \$1,630 in 2026 to \$2,045 in 2031, with interest at 2.34%	10,975	12,535
VEHBFA Series 2019 term bonds \$49,840 original principal, (uncollateralized) due on November 1, 2038, issued at a premium, interest at 5.00%	43,750	45,880
VEHBFA Series 2020 revenue bonds \$88,295 original principal, (uncollateralized) due on November 1, 2050, issued at a premium, interest ranging from 4.00% to 5.00%	85,360	86,865
2021 direct placement term loan \$30,000 original principal, (uncollateralized) due November 1, 2027, with interest of 1.45%	19,650	26,000
VEHBFA Series 2022 revenue bonds \$61,290 original principal, (uncollateralized) due on August 1, 2042, issued at par, interest at 3.22%	61,290	61,290
VEHBFA Series 2023 revenue bonds \$44,060 original principal, (uncollateralized) due on November 1, 2052, issued at a premium, interest at 5%	44,060	44,060
2025 Direct Placement term loan \$45,000 original principal (uncollateralized) due on November 1, 2034, with interest of 4.66%	<u>45,000</u>	<u>—</u>
	343,140	309,685
Less unamortized bond issuance costs	(2,829)	(2,808)
Plus unamortized premium	<u>31,335</u>	<u>32,829</u>
	<u>\$ 371,646</u>	<u>339,706</u>

In April 2025, the College entered into a \$45,000 term loan with TD Bank, N.A. The proceeds of the Loan will be used by the College for general corporate purposes.

In August 2023, the College issued \$44,060 par of Vermont Educational and Health Buildings Financing Agency (VEHBFA) Revenue Bonds, Series 2024 (the Series 2024 Bonds), in a tax-exempt financing. The proceeds from this issuance will be used to construct and outfit a new first-year student residence hall and pay certain costs of issuance of the Bonds.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

(a) Debt Maturities

Annual principal requirements under all long-term debt obligations as of June 30, 2025 are as follows:

2026	\$	11,905
2027		12,270
2028		12,650
2029		13,080
2030		13,650
Thereafter		<u>279,585</u>
	\$	<u>343,140</u>

(b) Credit Lines

As of June 30, 2025, Middlebury had a \$50,000 line of credit with a variable interest rate set with reference to the Secured Overnight Financing Rate (SOFR) or a similar benchmark rate. The maturity date for the line of credit is March 31, 2028.

For the years ended June 30, 2025 and 2024, the outstanding balances on these lines were \$0 and \$12,500, respectively. The line of credit balance is included in accounts payable and accrued expenses on the statement of financial position. The proceeds of the borrowings are to be used for short-term working capital needs, pre-funding capital projects prior to a bond issuance, or providing temporary liquidity for investment transactions.

(10) Retirement Plans

Retirement benefits for benefits eligible employees of Middlebury, are individually funded and vested under a defined contribution program with the Teachers Insurance and Annuity Association and the College Retirement Equities Fund (TIAA-CREF). Under this plan, Middlebury makes contributions into the employee accounts based upon investment allocations exercised by the employee or defaulted into the Lifecycle mutual funds. Retirement contributions for the years ended June 30, 2025 and 2024 were \$15,372 and \$14,786, respectively.

(11) Composition of Net Assets

Net assets without donor restriction are comprised of the following:

	<u>2025</u>	<u>2024</u>
Board-designated endowment funds	\$ 250,572	235,907
Net investment in plant	125,587	146,014
Other	<u>(179,912)</u>	<u>(182,367)</u>
	<u>\$ 196,247</u>	<u>199,554</u>

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(In thousands of dollars)

Composition of net assets with donor restrictions are comprised of the following:

	2025		Accumulated gains on restricted endowments
	Total	Restricted in perpetuity	
Endowment funds:			
Restricted for program support	\$ 453,855	201,461	252,394
Restricted for general operating	137,749	59,233	78,516
Restricted for scholarship and prizes	453,305	202,833	250,472
Restricted for instruction	338,521	94,679	243,842
Restricted for library	86,796	9,509	77,287
Restricted for other student benefit	9,046	638	8,408
	1,479,272	\$ 568,353	910,919
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	63,049		
Restricted contributions receivable, net	71,982		
Restricted annuity and life income gifts	34,888		
	\$ 1,649,191		

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June 30, 2025

(In thousands of dollars)

	2024		
	Total	Restricted in perpetuity	Accumulated gains on restricted endowments
Endowment funds:			
Restricted for program support	\$ 412,975	188,015	224,960
Restricted for general operating	127,300	55,923	71,377
Restricted for scholarship and prizes	416,747	185,652	231,095
Restricted for instruction	315,125	89,285	225,840
Restricted for library	81,368	9,499	71,869
Restricted for other student benefit	8,562	638	7,924
	1,362,077	\$ 529,012	833,065
Other restricted funds:			
Restricted for scholarships, loan funds and other specific purposes	54,296		
Restricted contributions receivable, net	51,322		
Restricted annuity and life income gifts	39,190		
	\$ 1,506,885		

(12) Commitments and Contingencies

Middlebury has claims arising in the normal course of its operations. Middlebury believes that the outcome of these claims will not have a material adverse effect on the financial position, activities, or cash flows of Middlebury.

Middlebury has made a commitment to assist the Town of Middlebury (the Town) to finance the bridge construction project and has agreed to pay the Town the sum of \$300 twice per year starting in fiscal year 2011 and continuing until thirty years thereafter. Middlebury has recorded a commitment payable of \$6,279 and \$6,555 as of June 30, 2025 and 2024, respectively. The original commitment was for \$18,000 and was discounted at a rate of 5.00%. The commitment payable is included in the accounts payable and accrued expenses line on the Statement of Financial Position.

Middlebury has made a commitment to assist the Town in financing the construction of a municipal office building and a gymnasium/recreation facility. This pertains to an agreement between Middlebury and the Town regarding the transfer of certain parcels of land and buildings. Middlebury will pay the Town approximately \$350 over two installments per year until 2034. The full commitment was for \$6,159 and was discounted at 3.25%. Middlebury has recorded a payable of \$2,305 and \$2,538 as of June 30, 2025 and 2024, respectively. The commitment payable is included in the accounts payable and accrued expenses line on the Statement of Financial Position.

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Notes to Consolidated Financial Statements

June 30, 2025

(In thousands of dollars)

(13) Operating Expenses

The consolidated statements of activities present expenses by natural classification. Middlebury also summarizes expenses by functional classification. The primary program service is academic instruction and research. Expenses reported as student services and auxiliary enterprises are incurred in support of the primary program activity.

Natural class expenses are allocated to functional areas based predominantly on department-level expenses. Depreciation expense and interest expense are allocated to departments based on the purpose of associated buildings.

Operating expenses for the year ended June 30, 2025 are as follows:

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Sponsored activities</u>	<u>Total</u>
Salaries and wages	\$ 61,007	17,780	42,441	22,999	8,948	153,175
Employee benefits	24,942	7,271	17,351	9,403	3,093	62,060
Building and maintenance	3,704	1,293	5,504	7,397	262	18,160
Fees for services	6,064	2,263	4,701	8,887	2,561	24,476
Equipment and supplies	925	1,087	3,256	4,062	639	9,969
Travel and entertainment	1,223	2,156	3,646	1,071	2,119	10,215
Other expenses	5,184	3,750	11,499	1,206	4,181	25,820
Interest expense	2,771	1,625	5,717	880	—	10,993
Depreciation and amortization expense	6,124	3,061	12,705	1,734	—	23,624
June 30, 2025	\$ <u>111,944</u>	<u>40,286</u>	<u>106,820</u>	<u>57,639</u>	<u>21,803</u>	<u>338,492</u>

Operating expenses for the year ended June 30, 2024 are as follows:

	<u>Instruction</u>	<u>Academic support</u>	<u>Student services</u>	<u>Institutional support</u>	<u>Sponsored activities</u>	<u>Total</u>
Salaries and wages	\$ 61,315	15,780	40,233	25,061	6,079	148,468
Employee benefits	23,098	5,944	15,156	9,441	1,883	55,522
Building and maintenance	3,306	1,266	5,613	7,279	270	17,734
Fees for services	7,839	2,581	4,571	9,664	1,350	26,005
Equipment and supplies	1,246	1,123	3,674	3,971	158	10,172
Travel and entertainment	2,189	2,072	3,889	1,216	1,217	10,583
Other expenses	6,594	3,564	12,473	1,507	2,156	26,294
Interest expense	3,022	1,775	4,870	960	—	10,627
Depreciation and amortization expense	5,536	2,768	11,485	2,933	—	22,722
June 30, 2024	\$ <u>114,145</u>	<u>36,873</u>	<u>101,964</u>	<u>62,032</u>	<u>13,113</u>	<u>328,127</u>

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June 30, 2025

(In thousands of dollars)

(14) Related Parties

Members of the College's Board of Trustees and Officers may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The College's conflict of interest policy requires, among other things, that no member of the Board of Trustees or Officer may participate in any decision in which they (or an immediate family member) have a material financial interest. For the Board of Trustees and Officers, the College requires an annual disclosure of significant financial interests in, family relationships, significant management function, or substantial business with entities doing business with the College. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the College and ensure compliance with relevant conflict of interest laws or policy.

Middlebury College contracts with the Green Mountain Higher Education Consortium, a related party, to provide Middlebury College with accounts payable processing, benefits administration, and payroll processing services. The Middlebury College management team, or Board of Trustee members may from time to time serve as either officers or Board of Directors for the Green Mountain Higher Education Consortium.