

Arica Institute, Inc.

Financial Statements

FOR THE YEAR ENDED JUNE 30, 2025

With Accountants' Review Report

ARICA INSTITUTE, INC.

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BERGAMO TAX & ACCOUNTING SERVICES, LLC

CERTIFIED PUBLIC ACCOUNTANTS
51 DEPOT STREET, SUITE 111
WATERTOWN, CT 06795

To the Board of Directors
Arica Institute, Inc.
Kent, Connecticut

We have reviewed the accompanying financial statements of Arica Institute, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2025, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of entity management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the 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 Arica Institute Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

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



Watertown, Connecticut
November 5, 2025

ARICA INSTITUTE, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

Assets

Cash and cash equivalents	\$ 252,245
Investments	149,153
Accounts receivable	4,721
Prepaid expenses	-
Security deposits	1,000
Property and equipment - net	15,163
Operating lease right-of-use asset	8,704
Intangible asset - license agreement	40,000
Total Assets	\$ 470,986

Liabilities

Accounts payable and accrued expenses	\$ 10,041
Lease liability	8,704
License agreement liability	40,000
Total Liabilities	58,745

Net Assets

Without donor restrictions	
Operating	226,750
Board designated for program scholarships	8,555
Total without donor restrictions	235,305
With donor restrictions	176,936
Total Net Assets	412,241
Total Liabilities and Net Assets	\$ 470,986

See independent accountants' review report

ARICA INSTITUTE, INC.**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

	Operating	Board Designated for Program Scholarships	Total Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue					
Contributions	\$ 194,874	\$ 9,320	\$ 204,194	\$ -	\$ 204,194
Membership dues	139,001	-	139,001	-	139,001
Royalties	9,837	-	9,837	-	9,837
Reimbursed expenses	10,903	-	10,903	-	10,903
Sponsor, handling and other fees	5,355	-	5,355	-	5,355
Net assets released from restrictions	-	-	-	-	-
Total Support and Revenue	359,970	9,320	369,290	-	369,290
Expenses					
Program services	203,067	13,642	216,709	-	216,709
Management and general	108,915	40	108,955	-	108,955
Total Expenses	311,982	13,682	325,664	-	325,664
Change in Net Assets Before Non-operating Income	47,988	(4,362)	43,626	-	43,626
Non-operating Income					
Interest and Dividends	6,592	384	6,976	5,553	12,529
Investment Return	(1,268)	-	(1,268)	7,295	6,027
Total Non-operating Income	5,324	384	5,708	12,848	18,556
Change in Net Assets	53,312	(3,978)	49,334	12,848	62,182
Net Assets - Beginning of Year	173,438	12,533	185,971	164,088	350,059
Net Assets - End of year	\$ 226,750	\$ 8,555	\$ 235,305	\$ 176,936	\$ 412,241

See independent accountants' review report

ARICA INSTITUTE, INC.**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

	Program Services	Management and General	Total
Salaries and wages	\$ 112,699	\$ 32,438	\$ 145,137
Payroll taxes	9,402	2,706	12,108
Employee benefits	10,905	1,212	12,117
Professional fees	4,600	54,417	59,017
Transaction processing fees	-	9,048	9,048
Payroll processing	-	1,610	1,610
Insurance	6,006	472	6,478
Office expense	2,899	324	3,223
Technology expense	11,147	1,239	12,386
Dues and subscriptions	351	39	390
Occupancy	21,096	3,723	24,819
Depreciation and amortization	13,729	1,525	15,254
Interest	-	-	-
Scholarships and Grants	17,642	-	17,642
Sponsor fees	2,783	-	2,783
Miscellaneous	3,450	202	3,652
Total Expenses	\$ 216,709	\$ 108,955	\$ 325,664

See independent accountants' review report

ARICA INSTITUTE, INC.**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2025**

Cash flows from operating activities:

Change in net assets	\$ 62,182
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Depreciation and amortization	15,254
Receipt of contributed securities	(12,976)
Proceeds from the sale of contributed securities	9,738
Net investment (gains) and losses	(6,180)
Acquisition of license agreement	(50,000)
(Increase) decrease in:	
Accounts receivable	(2,989)
Operating lease right-of-use asset	16,873
Increase (decrease) in:	
Accounts payable and accrued expenses	1,307
Operating lease liability	(16,873)
License agreement liability	40,000

Net cash provided (used) by operating activities	56,336
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Cash flows from investing activities:

Purchases of property and equipment	(11,200)
Purchases of investment securities	(34,160)
Proceeds from investment security sales and redemptions	57,216

Net cash provided (used) by investing activities	11,856
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Net increase in cash	68,192
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Cash - Beginning of Year	184,053
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Cash - End of Year	\$ 252,245
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Supplemental Cash Flow Information:

Non-cash investing activity:	
Receipt of contributed securities	\$ 12,976

See independent accountants' review report

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

Note 1 - Organization

Arica Institute, Inc. (The Institute) is a non-profit educational organization that was incorporated as a not-for-profit, non-stock corporation in the State of New York in 1971. The Institute publishes and presents training programs and self-study materials to assist individuals in the development of their life potential and understanding of the inner self. The Institute considers its activities to be a single program for financial reporting purposes. The Institute is supported primarily through donor contributions and membership dues.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The Institute's financial statements have been prepared using the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (GAAP).

Uses 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 date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used in accounting for, among other things, realization of accounts receivable and the carrying value of investments. Accordingly, actual results could differ from those estimates.

Financial Statement Presentation

The Institute has adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. In accordance with these standards temporary and permanently donor restricted net assets are reported in a single net asset class called net assets with donor restrictions, while unrestricted net assets are reported as net assets without donor restrictions. The financial statements include disclosure about the liquidity and availability of resources.

Fair Value Measurement

The Institute uses the GAAP framework for measuring fair value which provides for a fair value hierarchy based on observable inputs. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy reflects three levels based on the transparency of inputs as follows:

Level 1 – Valuation based on quoted prices available in active markets for identical assets or liabilities as of the report date.

Level 2 – Valuations based on inputs, other than quoted prices included within Level 1, that are observable, either directly or indirectly.

Level 3 – Valuations based on significant inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

Arica Institute, Inc.
Notes to Financial Statements (continued)

The Institute considers observable market data to be readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the entity's perceived risk of that instrument.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Institute considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Investments and Investment Income Recognition

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized losses are included in the determination of the change in net assets.

Accounts Receivable

Accounts receivable are recorded at invoiced amounts and do not bear interest. Based on historical collection experience management considers accounts receivable to be fully collectible and as a result no allowance for doubtful accounts has been recorded.

Property and Equipment

Property and equipment greater than \$1,000 are recorded at cost at the date of acquisition or fair value at the date of donation and are depreciated using the straight-line method over five years. Acquisition costs include all expenses necessary to prepare the asset for its intended purpose including direct labor and related costs. Equipment acquired subject to a finance lease is being depreciated over five years. Website development costs are amortized over three years. Improvement or replacements of fixed assets are capitalized. Maintenance and repairs that neither improve nor extend the useful lives of fixed assets are charged to expenses as incurred.

Intangible Asset – License Agreement

The Institute has entered into a \$50,000 five-year license agreement for the use of educational and training programs and materials. The Institute has recorded a \$50,000 intangible asset and related license agreement liability. The terms of the agreement require the Institute to make annual payments to the licensor beginning August 1, 2024, with the option to renew the agreement, upon mutual agreement of both parties, at the end of the five-year term. The Institute is amortizing this intangible asset over the five-year term of the agreement. Terms also require the Institute to remit fifty percent of all royalty and other revenues resulting from use of the license to the licensor at time of receipt. The Institute recognizes such revenues, and the related remittances to the licensor, in the period that revenues are received.

Leases

The Institute determines if an arrangement qualifies as a lease at its inception. Each individual lease is categorized as either a finance lease or operating lease. Leases that convey the right-of-use (ROU) of an asset over the term of the lease are classified as operating leases and are included in ROU assets, current liabilities, and operating lease liabilities in the Statement of Financial Position. Finance leases are included in property and equipment, and liabilities in the Statement of Financial Position. Leases with a term of 12 months or less are not recorded on the Statement of Financial Position and are expensed on a straight-line basis. Lease and non-lease components are accounted for together as a single lease component for operating leases of office space and equipment.

Arica Institute, Inc.
Notes to Financial Statements (continued)

ROU assets associated with operating leases represent the Institute's right-to-use the underlying assets for the lease term. Lease liabilities represent the Institute's obligation to make lease payments arising from leases. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payment over the lease term. As the Institute's operating leases do not provide an implicit interest rate, the risk-free rate of return is used to calculate present value. Operating lease expense is recognized on a straight-line basis over the lease term.

Deferred Revenue

Membership dues revenue is recognized on a straight-line basis over the membership period. Deferred revenue represents the portion of payments received that is applicable to future periods.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Net assets without donor restrictions – consist of resources available for the general support of the Institute's operations and may be used at the discretion of the Board of Directors.

Net assets with donor restrictions – consist of resources restricted by donors for specific activities or to be used in the future. Contributions received with donor stipulations that limit their use either through purpose or time restrictions are recorded as net assets with donor restrictions. When a purpose or time restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in statement of activities as net assets released from restrictions. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period that they are received, such amounts are reported as net assets without donor restrictions.

Endowment Funds

The Institute's donor restricted endowment fund is invested in equity securities. The donor stipulated that no more than \$25,000 be appropriated annually to support Institute programs. It is the Institute's policy to appropriate no more than \$25,000 a year to support program activities as approved by the Board of Directors. In accordance with GAAP, and the Uniform Prudent Management of Institutional Funds Act, accumulated gains and income earned on donor-restricted endowment assets are classified as net assets with donor restrictions until expended. The Institute's policy is to strive to preserve the principal balance of the endowment while generating earnings from conservative, highly diversified investments.

Concentration of Credit Risk

Financial instruments that potentially subject the Institute to a concentration of credit risk consist primarily of cash and certificates of deposit that are held in Federal Deposit Insurance Corporation (FDIC) accounts insured up to \$250,000 per financial institution, and investments held at a brokerage institution that are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000. On June 30, 2025 there were no accounts that exceeded the insured limits. The institute's account balances at these institutions may, at times, exceed the insured limits. However, the Institute has not experienced any losses in such accounts, and management does not believe that the Institute is exposed to any significant credit risk on these accounts.

Arica Institute, Inc.
Notes to Financial Statements (continued)

Revenue Recognition

In the absence of donor restrictions, contributions and bequests are considered to be available for unrestricted use. All income is recognized in the period when the contribution, pledge, or unconditional promise to give is received. Legacies and bequests are not recorded in the accompanying financial statements until such time as the Institute has an unconditional right to the gift and the proceeds are measurable in amount. Donated assets are recorded as unrestricted contributions at fair value.

Functional Allocation of Expenses

The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly certain costs have been allocated among program, and management and general, based on specific identification to the extent practicable. Expenses related to more than one function have been allocated based on staff time and effort, and other reasonable measures of relative benefit.

Contributed Services

Voluntary services donated by individuals have not met the criteria for recognition and have not been reflected in the financial statements.

Note 3 - Investments

Investments grouped by the fair value hierarchy consist of the following as of June 30, 2025:

	<u>Amount</u>
Level 1 Investments	
Mutual Funds	\$ 27,419
Exchange Traded Funds	85,940
Equity securities	<u>35,794</u>
Total Level 1 Investments	149,153
Level 2 Investments	
Certificates of Deposit	<u>-</u>
Total Investments	<u><u>\$149,153</u></u>

Note 4 – Property and Equipment

A summary of fixed assets and the estimated useful lives used in the calculation of depreciation and amortization as of June 30, 2025, is as follows:

	<u>Amount</u>	<u>Life</u>
Machinery & Equipment	\$ 2,460	5 years
Furniture & Fixtures	3,801	5 years
Computer Software	3,164	5 years
Computer Hardware	30,483	5 years
Website Development	<u>46,048</u>	3 years
	85,956	
Less Accumulated Depreciation and Amortization	<u>(70,793)</u>	
	<u><u>\$ 15,163</u></u>	

Note 5 – Intangible Asset – License Agreement

The Institute entered into a five-year license agreement on August 1, 2024, for the use of educational and training programs and materials. The institute expects to renew the agreement, which expires July 2029, in the normal course of business. The institute has recorded a \$50,000 intangible asset and a related liability arising from this agreement. The agreement requires annual payments of \$10,000 beginning August 1, 2024. The Institute has recorded amortization expense of \$10,000 for the fiscal year ending June 30, 2025. The liability of \$40,000 at fiscal year-end will be paid in annual installments of \$10,000 over the next four fiscal years.

Note 6 – Leases

Operating Lease

The Institute leases office space under an operating lease agreement expiring December 2023 with provisions for optional renewal for the 2024 and 2025 calendar years. The Institute expects to renew the lease in the normal course of business. The Institute has recorded both a Right of Use (ROU) asset and a ROU lease obligation arising from this operating lease. Both the asset and liability were calculated based on the present value of future lease payments over the lease term including the optional renewal years of 2024 and 2025. The remaining lease term on June 30, 2025 was 6 months, and the weighted-average discount rate applied to the lease liability was 4.18%.

For the year ended June 30, 2025, the components of lease expense were as follows:

Operating lease cost - building rent	\$16,975
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For the year ended June 30, 2025, lease cash flow information was as follows:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from operating leases	\$16,975
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As of June 30, 2025, lease assets and liabilities were as follows:

Operating lease

Operating lease right-of-use asset	<u>\$ 8,704</u>
Lease liability - current portion	\$ 8,704
Lease liability - noncurrent portion	<u>-</u>
Total operating lease liability	<u><u>\$ 8,704</u></u>

As of June 30, 2025 the future operating cash flows expected to be paid in satisfaction of the recorded lease liability are as follows:

Year end June 30,	Operating Lease
2026	<u>\$ 8,811</u>
2027	<u>-</u>
Total lease payments	\$8,811
Less Imputed Interest	<u>(107)</u>
Net lease liability	<u><u>\$8,704</u></u>

Arica Institute, Inc.
Notes to Financial Statements (continued)

Note 7 - Subsequent Events

The Institute has evaluated events occurring after the date of these financial statements through November 5, 2025, the date which the financial statements were available to be issued and has identified no material subsequent events which would require disclosure in or adjustments to these financial statements.

Note 8 – Liquidity and Availability

The Institute monitors liquidity required to meet its annual operating requirements and commitments on an ongoing basis. Financial assets not available for use within one year include financial assets received with donor restrictions that are designated for a specific purpose, timeline or contractual obligation, and have been earmarked as resources available for spending in future years. Of the Institute's \$176,936 of net assets with donor restrictions all but \$25,000 is unavailable for expenditure within one year.

Total financial assets available to meet cash needs for general expenditure within one year as of June 30, 2025, are as follows:

Cash and cash equivalents	\$ 252,245
Investments	149,153
Accounts receivable	4,721
Prepaid expenses	-
Total available within one year	<u>406,119</u>
Less amounts unavailable for general expenditures subject to satisfaction of donor time restrictions	<u>(151,936)</u>
Total financial assets available to meet cash needs for general expenditures in one year	<u>\$ 254,183</u>

Note 9 – Endowment Funds

The Institute's donor restricted endowment fund, which totaled \$176,936 at fiscal year-end, increased \$12,848 during the fiscal year from \$164,088 a year ago. The related fiscal year activity for the year consisted of investment income of \$5,553; and net investment return of \$7,295. The institute elected to not make distributions to support Institute programs during the fiscal year.

From time to time, the fair value of assets associated with the endowment fund may fall below the level that the donor requires the Institute to maintain. Whenever the fair value of the endowment fund falls below the donor required level, it is the Institute's policy to forego any spending until such time as fair value increases and exceeds the donor required level.

The terms of the donor's \$240,000 gift that created the endowment fund requires the Institute to annually spend no more than \$25,000 from the endowment's principal. In accordance with these requirements the \$176,936 fair value of the endowment fund at June 30, 2025 exceeded the \$90,000 minimum required principal balance.

Note 10 - Income Taxes

The Institute is exempt from federal and state taxes on income (other than any unrelated business income) under Section 501(c)(3) of the internal revenue code and applicable State income tax regulations. The Institute files an annual information return, Form 990, with the Internal Revenue Service. The Institute realized no unrelated business income during the fiscal year and no provision for income taxes has been made as of June 30, 2025.

Arica Institute, Inc.**Notes to Financial Statements (continued)**

The Institute has no unrecognized tax benefits as of June 30, 2025. During the years from 2022 to 2025, which are the years management considers to be open for examination by taxing authorities, management did not identify the existence of any uncertain tax position. The Institute did not recognize any interest or penalties associated with tax matters for the year ended June 30, 2025.