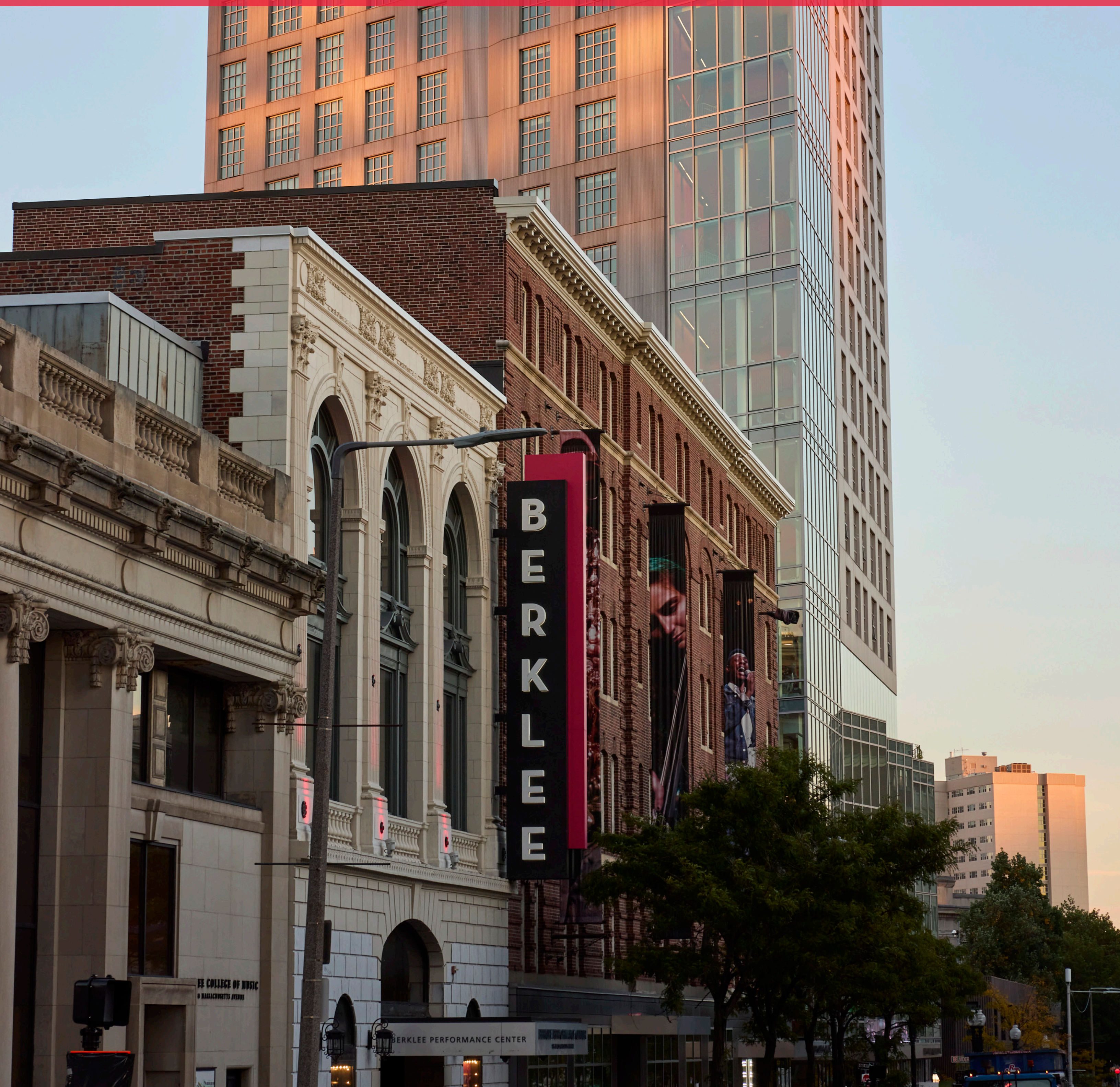
Berklee

# BERKLEE CONSOLIDATED FINANCIAL STATEMENTS **2024**



Berkleee

Dear Berklee Community,

Fiscal Year 2024 (FY24) financial results continue to be strong as Berklee continues to invest in student success on all campuses. I am pleased to share that Berklee ended FY24 with a positive margin in unrestricted operations of $6.2M, or 1.7% and $8.2M or 2.3% in unrestricted and restricted operations. In FY24, there were various factors contributing to the operating results, including continued economic inflation, facilities, information technology, and human resource investments for future growth, and the stabilization on enrollment due to capacity constraints in the Boston campus.

| P&L $millions | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual |
|---|---|---|---|---|---|---|
| Revenue | $288.7 | $296.0 | $237.5 | $313.3 | $340.8 | $359.9 |
| Expense | $276.0 | $280.5 | $242.6 | $296.4 | $326.3 | $351.7 |
| **Operating Margin** | **$12.7** | **$15.5** | **($5.1)** | **$16.9** | **$14.5** | **$8.2** |
| % Margin | 4.4% | 5.3% | -2.1% | 5.4% | 4.3% | 2.3% |

The balance sheet showed growth in net assets of $47.6M overall. Liquidity and cash balances were impacted by investments related to the renovation of 12 Hemenway St., the Berklee Bridge (student success), investments in information technology, and other capital renovation and repair costs. There was a reduction in debt principal to $230.0M. Berklee's endowment posted positive investment returns of $47.4M (12.2%) in FY24.

In the statement of activities, net tuition and fees increased $11.6M, while contributions increased by $1.9M. The cost of instruction increased by $9.3M based on investments in faculty and related student needs. The cost of academic support also increased by $1.7M due to investments in resources to support the academic mission, market-driven wage inflation, and student centric investments. The cost of institutional support increased by $4.6M. This increase included salary and benefit increases, technology enhancements, and investments in several institutional priorities. Depreciation and amortization increased slightly over FY23, due to the recent completion of significant capital projects addressing deferred maintenance. Unrestricted net assets are 72.1% of the total asset base, which compares positively to a majority of Berklee's peer institutions.

| Balance Sheet $millions | 2019 Actual | 2020 Actual | 2021 Actual | 2022 Actual | 2023 Actual | 2024 Actual |
|---|---|---|---|---|---|---|
| Assets | **$779.6** | **$761.6** | **$892.1** | **$854.9** | **$869.5** | **949.5** |
| *Endowment* | *$356.1* | *$327.6* | *$446.6* | *$406.6* | *$390.0* | *$426.4* |
| Liabilities | **$382.1** | **$414.6** | **$411.7** | **$389.5** | **$378.0** | **$410.4** |
| *Debt* | *$268.0* | *$256.6* | *$251.7* | *$244.7* | *$237.5* | *$230.1* |
| Net Assets | **$397.5** | **$347.0** | **$480.4** | **$465.4** | **$491.5** | **$539.1** |
| % Unrestricted | 72.8% | 67.4% | 67.1% | 70.7% | 71.8% | 72.1% |

There were no significant accounting pronouncements or material changes in the statements adopted in fiscal year 2024. Berklee received an unqualified (clean) opinion from its external audit firm KPMG.

We look forward to an exciting year ahead as we continue to provide a high quality education, further invest in the academic infrastructure, and continuing to enhance the student experience.

F. John Case
Interim Chief Financial Officer

KPMG

# BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Financial Statements

May 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

# Independent Auditors' Report

The Board of Trustees
Berklee College of Music, Inc.:

*Opinion*

We have audited the consolidated financial statements of Berklee College of Music, Inc. (the College), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years 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 May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

*Basis for Opinion*

We conducted our audits 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 audits. 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.

KPMG LLP

Boston, Massachusetts
September 30, 2024

**BERKLEE COLLEGE OF MUSIC, INC.**

Consolidated Statements of Financial Position

May 31, 2024 and 2023

| **Assets** | | **2024** | **2023** |
|---|---|---|---|
| Cash and cash equivalents | $ | 30,601,031 | 22,719,091 |
| Short-term investments (note 4) | | 88,784,809 | 115,844,798 |
| Student accounts receivable, net (note 9) | | 17,502,270 | 241,285 |
| Contributions receivable, net (note 10) | | 5,609,730 | 7,872,394 |
| Other assets | | 21,347,540 | 17,860,460 |
| Long-term investments (notes 4 and 5) | | 426,384,464 | 390,021,654 |
| Property, plant, and equipment, net (note 6) | | 305,616,344 | 294,932,501 |
| Right-of-use asset, net (note 12) | | 53,609,591 | 20,042,400 |
| Total assets | $ | 949,455,779 | 869,534,583 |
| **Liabilities and Net Assets** | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | $ | 38,071,275 | 38,218,757 |
| Student deposits and deferred revenue | | 55,310,047 | 40,393,785 |
| Accrued pension liabilities (note 11) | | 28,808,426 | 36,920,285 |
| Lease liabilities (note 12) | | 54,562,846 | 21,192,186 |
| Bonds payable, net (note 7) | | 230,070,246 | 237,482,792 |
| Other liabilities | | 3,569,686 | 3,806,363 |
| Total liabilities | | 410,392,526 | 378,014,168 |
| Net assets: | | | |
| Without donor restrictions | | 388,559,207 | 353,036,993 |
| With donor restrictions (note 13) | | 150,504,046 | 138,483,422 |
| Total net assets | | 539,063,253 | 491,520,415 |
| Total liabilities and net assets | $ | 949,455,779 | 869,534,583 |

See accompanying notes to consolidated financial statements.

**BERKLEE COLLEGE OF MUSIC, INC.**

Consolidated Statements of Activities

Year ended May 31, 2024

| | Without donor restrictions | With donor restrictions | 2024 Total | 2023 Total |
|---|---|---|---|---|
| Operating: | | | | |
| Revenues: | | | | |
| Student tuition and fees (net of aid of $112,376,532) | $ 278,296,478 | — | 278,296,478 | 269,878,903 |
| Residence hall and dining fees (net of aid of $954,175) | 32,827,584 | — | 32,827,584 | 29,639,247 |
| Net tuition and fees | 311,124,062 | — | 311,124,062 | 299,518,150 |
| Contributions | 598,463 | 8,473,439 | 9,071,902 | 7,173,868 |
| Grants and contracts | 5,078,996 | — | 5,078,996 | 5,382,243 |
| Investment return for operations (note 5) | 13,020,688 | 4,691,260 | 17,711,948 | 16,953,992 |
| Other income | 7,899,655 | — | 7,899,655 | 4,948,187 |
| Sales and service of auxiliary enterprises | 8,972,324 | — | 8,972,324 | 6,774,262 |
| Net assets released from restrictions | 11,122,307 | (11,122,307) | — | — |
| Total operating revenues | 357,816,495 | 2,042,392 | 359,858,887 | 340,750,702 |
| Expenses: | | | | |
| Instruction | 149,747,564 | — | 149,747,564 | 140,404,361 |
| Academic support | 22,716,422 | — | 22,716,422 | 21,004,818 |
| Student and enrollment services | 32,452,715 | — | 32,452,715 | 27,373,481 |
| Institutional support and advancement | 83,120,537 | — | 83,120,537 | 78,495,893 |
| Auxiliary enterprises | 11,467,514 | — | 11,467,514 | 12,176,488 |
| Operation and maintenance of physical plant: | | | | |
| Depreciation and amortization | 17,791,764 | — | 17,791,764 | 16,169,846 |
| Interest | 7,595,556 | — | 7,595,556 | 7,749,908 |
| Maintenance | 26,762,713 | — | 26,762,713 | 22,886,152 |
| Total operating expenses | 351,654,785 | — | 351,654,785 | 326,260,947 |
| Change in net assets from operating activities | 6,161,710 | 2,042,392 | 8,204,102 | 14,489,755 |
| Nonoperating: | | | | |
| Investment return | 36,201,482 | 11,248,469 | 47,449,951 | 14,828,565 |
| Investment return for operations (note 5) | (13,020,688) | (4,691,260) | (17,711,948) | (16,953,992) |
| Contributions for long-term investment | — | 3,421,024 | 3,421,024 | 4,279,384 |
| Other | (868,826) | (1) | (868,827) | 5,618,952 |
| Other changes in pension obligation (note 11) | 7,048,536 | — | 7,048,536 | 3,811,103 |
| Change in net assets from nonoperating activities | 29,360,504 | 9,978,232 | 39,338,736 | 11,584,012 |
| Change in net assets | 35,522,214 | 12,020,624 | 47,542,838 | 26,073,767 |
| Net assets at beginning of year | 353,036,993 | 138,483,422 | 491,520,415 | 465,446,648 |
| Net assets at end of year | $ 388,559,207 | 150,504,046 | 539,063,253 | 491,520,415 |

See accompanying notes to consolidated financial statements.

**BERKLEE COLLEGE OF MUSIC, INC.**

Consolidated Statements of Activities

Year ended May 31, 2023

| | Without donor restrictions | With donor restrictions | 2023 Total | 2022 Total |
|---|---|---|---|---|
| Operating: | | | | |
| Revenues: | | | | |
| Student tuition and fees (net of aid of $99,167,015) | $ 269,878,903 | — | 269,878,903 | 242,312,532 |
| Residence hall and dining fees (net of aid of $1,192,170) | 29,639,247 | — | 29,639,247 | 30,398,302 |
| Net tuition and fees | 299,518,150 | — | 299,518,150 | 272,710,834 |
| Contributions | 536,061 | 6,637,807 | 7,173,868 | 9,019,380 |
| Grants and contracts | 5,382,243 | — | 5,382,243 | 4,943,186 |
| Investment return for operations (note 5) | 12,482,298 | 4,471,694 | 16,953,992 | 15,730,630 |
| Other income | 4,948,187 | — | 4,948,187 | 3,573,521 |
| Sales and service of auxiliary enterprises | 6,774,262 | — | 6,774,262 | 6,451,819 |
| Net assets released from restrictions | 12,633,856 | (12,633,856) | — | — |
| Total operating revenues | 342,275,057 | (1,524,355) | 340,750,702 | 312,429,370 |
| Expenses: | | | | |
| Instruction | 140,404,361 | — | 140,404,361 | 126,933,334 |
| Academic support | 21,004,818 | — | 21,004,818 | 17,126,284 |
| Student and enrollment services | 27,373,481 | — | 27,373,481 | 27,758,147 |
| Institutional support and advancement | 78,495,893 | — | 78,495,893 | 67,864,210 |
| Auxiliary enterprises | 12,176,488 | — | 12,176,488 | 11,710,259 |
| Operation and maintenance of physical plant: | | | | |
| Depreciation and amortization | 16,169,846 | — | 16,169,846 | 15,869,257 |
| Interest | 7,749,908 | — | 7,749,908 | 7,998,706 |
| Maintenance | 22,886,152 | — | 22,886,152 | 21,177,914 |
| Total operating expenses | 326,260,947 | — | 326,260,947 | 296,438,111 |
| Change in net assets from operating activities | 16,014,110 | (1,524,355) | 14,489,755 | 15,991,259 |
| Nonoperating: | | | | |
| Investment return | 11,349,962 | 3,478,603 | 14,828,565 | (41,093,737) |
| Investment return for operations (note 5) | (12,482,298) | (4,471,694) | (16,953,992) | (15,730,630) |
| Contributions for long-term investment | — | 4,279,384 | 4,279,384 | 5,930,055 |
| Other | 5,617,381 | 1,571 | 5,618,952 | (1,997,303) |
| Net periodic benefit cost other than service cost (note 11) | 3,811,103 | — | 3,811,103 | 21,957,095 |
| Change in net assets from nonoperating activities | 8,296,148 | 3,287,864 | 11,584,012 | (30,934,520) |
| Change in net assets | 24,310,258 | 1,763,509 | 26,073,767 | (14,943,261) |
| Net assets at beginning of year | 328,726,735 | 136,719,913 | 465,446,648 | 480,389,909 |
| Net assets at end of year | $ 353,036,993 | 138,483,422 | 491,520,415 | 465,446,648 |

See accompanying notes to consolidated financial statements.

**BERKLEE COLLEGE OF MUSIC, INC.**

Consolidated Statements of Cash Flows

Years ended May 31, 2024 and 2023

| | | 2024 | 2023 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Change in net assets | $ | 47,542,838 | 26,073,767 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | | |
| Depreciation and amortization | | 17,791,764 | 16,169,846 |
| Finance lease – interest portion of lease payment | | 86,480 | — |
| Realized and unrealized (gains) on investments, net | | (47,449,951) | (15,040,449) |
| Pension obligation costs | | (7,048,536) | (3,811,103) |
| Amortization of right-of-use assets-operating | | 4,142,552 | 3,862,643 |
| Contributions for long-term investment | | (8,518,974) | (4,419,576) |
| Change in operating assets | | (17,714,744) | (3,890,022) |
| Change in operating liabilities | | 9,867,593 | (6,557,111) |
| Net cash (used in) provided by operating activities | | (1,300,978) | 12,387,995 |
| Cash flows from investing activities: | | | |
| Change in deposits with bond trustees | | — | (12) |
| Purchase of property, plant, improvements, and equipment | | (29,769,934) | (16,193,316) |
| Disbursements and repayment of student loans, net | | 88,235 | 845,169 |
| Proceeds from sale and maturity of investments | | 64,976,877 | 50,576,705 |
| Purchase of investments | | (26,829,747) | (41,532,380) |
| Net cash provided by / (used in) investing activities | | 8,465,431 | (6,303,834) |
| Cash flows from financing activities: | | | |
| Payments on bonds and notes payable | | (6,365,000) | (6,125,000) |
| Contributions for long-term investment | | 8,518,974 | 4,419,576 |
| (Decrease) / Increase in refundable advances – U.S. government grants | | (236,677) | 42,407 |
| Finance lease – principal portion of lease payment | | (1,199,810) | — |
| Net cash provided by (used in) financing activities | | 717,487 | (1,663,017) |
| Net change in cash and cash equivalents | | 7,881,940 | 4,421,144 |
| Cash and cash equivalents, beginning of year | | 22,719,091 | 18,297,947 |
| Cash and cash equivalents, end of year | $ | 30,601,031 | 22,719,091 |
| Supplemental data: | | | |
| Interest paid | $ | 8,652,837 | 8,892,472 |
| Change in accounts payable attributable to capital acquisitions | | (1,053,340) | 978,431 |
| Cash paid for amounts included in the measurement of lease liabilities | | 6,418,999 | 5,077,165 |

See accompanying notes to consolidated financial statements.

## (1) Background

Berklee College of Music, Inc. (the College) is a nonprofit co-educational institution of higher learning offering bachelors and master degrees as well as a four-year program leading to a professional diploma. Since its founding in 1945, the College has become an international center for performing arts education geared to career musicians, dancers, composers, arrangers, music educators, and other professionals. The College offers not-for-credit courses, for-credit courses and degrees online through its Berklee Online Program and master's degrees through its operations located in Valencia, Spain. The Boston Conservatory (the Conservatory), a nationally accredited performing arts conservatory offering Bachelor of Fine Arts, Bachelor of Music and Master of Music degrees operates as a division of the College known as The Boston Conservatory at Berklee.

## (2) Summary of Significant Accounting Policies

### *(a) Basis of Statement Presentation*

The accompanying consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The consolidated financial statements, presented on the accrual basis of accounting, focus on the College as a whole and all intercompany amounts have been eliminated. Balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as follows:

*With donor restrictions:* Net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

*Without donor restrictions:* Net assets are not subject to donor stipulations restricting their use, but may be designated for specific purposes by the College.

Unless limited by donor restrictions or law, revenues and expenses, gains or losses on investments, and changes in other assets or liabilities are reported on the consolidated statements of activities as increases and decreases in net assets without donor restrictions. Net assets released from restrictions, for which the donor purpose has been met or the stipulated time period has elapsed, are reported as reclassifications between applicable net asset classes.

Contributions and unconditional promises to give are recognized as revenue as barriers are met. Promises to give that are expected to be collected after the consolidated statement of financial position date or that require the corpus to be maintained permanently are in net assets with donor restrictions reported as contribution revenue. Contributions of land, buildings, or equipment are reported as nonoperating support without donor restrictions unless the donor places restrictions on their use.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

### *(b) Operations*

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues and expenses are attributable to the College's academic programs and auxiliary enterprises. Tuition revenue is reported net of a discount awarded to students from various sources including college financial aid, scholarships from endowment funds, and/or state and federal grants. Nonoperating activities are attributable to return on long-term investments, contributions of capital assets, contributions to the endowment, and changes in pension obligation other than service costs.

### *(c) Cash and Cash Equivalents*

Cash equivalents represent money market funds and short-term instruments with maturities at date of purchase of three months or less. Cash equivalents held for investment purposes that are classified as short-term and long-term investments are not reflected as cash equivalents in the statement of cash flows.

### *(d) Short-term Investments*

Short-term investments consist of operating funds deposited in cash management accounts with maturities at the time of purchase less than one year and are carried at fair value.

### *(e) Contributions Receivable*

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by considering actual expected payments and by discounting the pledge to its present value by a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts.

### *(f) Long-Term Investments*

Investments are reported at fair value. Accordingly, the gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur.

### *(g) Fair Value Measurements*

GAAP defines fair value and establishes a framework for measuring and disclosing fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

- Level 1 – quoted prices in active markets accessible at the measurement date for assets or liabilities
- Level 2 – observable prices based on inputs not quoted in active markets but corroborated by market data.
- Level 3 – unobservable inputs are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

The College holds shares or units in nonmarketable securities including alternative investments such as private equity, venture capital, hedge funds, and real asset strategies. Such alternative investment funds may hold securities or other financial instruments for which a readily determinable fair value exists and are priced accordingly. For investments that do not have a readily determinable fair value, the fair value of those investments is recorded based upon the net asset value (NAV) per share or its equivalent as a practical expedient. Those investments reported at NAV are not classified and reported in the fair value hierarchy.

Investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the fund agreements. Due to the nature of the investments held by these funds, changes in market conditions, the economic environment, or liquidity provisions may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value. The College has no plans or intentions to sell investments at amounts different from the reported NAV.

### *(h) Property, Plant, and Equipment*

Property, plant, and equipment are stated at cost. Depreciation, including amortization of leasehold improvements and library books, is computed using the straight-line method over the related assets' estimated useful economic lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expense as incurred.

If the College determines a conditional asset retirement obligation exists, it assesses whether or not the amount of the obligation can be reasonably estimated. If the obligation can be reasonably estimated, the College records the present value of the obligation, the corresponding cost is capitalized, and the liability is accreted to fair value each reporting period until settled. Depreciation of the cost is recognized over the life of the related asset.

### *(i) Impairment of Long-Lived Assets*

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated discounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments were recognized for the years ended May 31, 2024 and 2023.


(Continued)

***(j) Deferred Revenue and Student Deposits***

Deferred revenue represents the amount of unearned services related to tuition, fees and auxiliary enterprises that are in progress as of year-end. Deferred revenue is reported as revenue over time, generally within the subsequent 12 months given the nature and duration of the underlying services being provided. Student deposits represent advance payments by students.

***(k) Bond Issuance Costs***

Bond issuance costs are amortized using the effective interest method over the life of the associated bond issue. The debt issuance costs related to a recognized debt liability are presented on the consolidated statement of financial position as a direct deduction from the debt liability, similar to the presentation of debt premiums and discounts.

***(l) Leases***

The College has entered into a variety of operating leases for office and classroom space, and equipment. The obligations associated with these leases have been recognized as a liability in the consolidated statement of financial position based on future lease payments, discounted by the incremental borrowing rate.

Lease terms may include options to extend or terminate certain leases. The renewal options are included in the determination of the lease obligation if it is reasonably certain management will exercise an option to extend or terminate a lease.

***(m) Revenue from Contracts with Customers***

Under ASC Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

***(n) Tax Status***

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code), and is generally exempt from taxes pursuant to Section 501(a) of the Code. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College has generated unrelated business income for the year ended May 31, 2024, but it is not significant to the consolidated financial statements. The College believes it has taken no significant uncertain tax positions.

### *(o) Foreign Currency Translation*

The College's accounting records, for Valencia, Spain, are maintained in the functional currency of U.S. dollars. The cumulative adjustment from foreign currency translation at May 31, 2024 and 2023 included in Institutional Support was a net loss of $(152,179) and $(546,991), respectively.

### *(p) Self-Funded Insurance*

The College has a self-funding medical insurance program, open to most employees and certain of their family members, in order to manage rising health insurance costs over the long-term. A stop loss policy is in effect, which limits the College's annual loss per claimant to $150,000 and 125% of expected claims, as calculated by the program's actuary on an aggregate basis. The College's expense under the self-insured medical plan amounted to $14,998,900 and $12,768,541 for the years ended May 31, 2024 and 2023, respectively. The estimated unpaid claims liability, included in accrued expenses at May 31, 2024 and 2023, amounted to $2,392,000 and $1,199,432, respectively.

### *(q) Use of Estimates*

The preparation of consolidated 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. Actual results could differ from those estimates.

## (3) Liquidity

As of May 31,2024, and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, are as follows:

| | | 2024 | 2023 |
|---|---|---|---|
| Cash and cash equivalents | $ | 30,601,031 | 22,719,091 |
| Contributions and accounts receivable, net | | 20,178,596 | 4,055,418 |
| Short-term investments | | 88,784,809 | 115,844,798 |
| Expected endowment appropriation | | 18,658,758 | 17,711,949 |
| Total financial assets available within one year | $ | 158,223,194 | 160,331,256 |

The College actively manages its resources utilizing a combination of short, medium and long-term operating investment strategies to align its cash inflows with anticipated outflows in accordance with policies approved by the Board. Additionally, as of May 31, 2024 and 2023, the College has $318,458,623 and $293,718,539 in Board-designated endowments not budgeted for spending in 2024 and 2023, which is available for general expenditure with Board approval.



(Continued)

## (4) Investments

The following tables summarize the College's investments by major category in the fair value hierarchy as of May 31, 2024 and 2023, as well as related strategy, liquidity, and funding commitments:

| | May 31, 2024 | | | Redemption or | Days' | Related unfunded |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | liquidation | notice | commitment |
| Short-term investment strategies: | | | | | | |
| Investments at fair value: | | | | | | |
| Cash equivalents | $ 100,177 | — | 100,177 | | | |
| Money market | 32,039,099 | — | 32,039,099 | | | |
| Fixed income | — | 22,474,603 | 22,474,603 | | | |
| Global equities | 34,170,930 | — | 34,170,930 | | | |
| Short-term investment strategies | 66,310,206 | 22,474,603 | 88,784,809 | | | |
| Long-term investment strategies: | | | | | | |
| Investments at fair value: | | | | | | |
| Cash equivalents | 13,292,903 | — | 13,292,903 | | | |
| Global equities | 4,896,849 | — | 4,896,849 | | | |
| Investments at net asset value: | | | | | | |
| Global equities: | | | | | | |
| Developed markets | — | — | 105,021,844 | Various (1) | 30-60 | None |
| Multiple strategies | — | — | 9,426,906 | Annually | 90 | None |
| Private equity and venture capital funds | — | — | 16,562,222 | Illiquid (2) | N/A | 3,297,181 |
| Real assets: | | | | | | |
| Private real estate | — | — | 11,873,388 | Illiquid (3) | N/A | 3,647,199 |
| Direct hedge equity/multiple strategies | — | — | 117,406,436 | Various (4) | 45–90 | None |
| Direct absolute return/multiple strategies | — | — | 147,903,916 | Various (5) | 45–180 | None |
| Long-term investment strategies | 18,189,752 | — | 426,384,464 | | | |
| Total | $ 84,499,958 | 22,474,603 | 515,169,273 | | | |

(1) Funds with monthly, 30 day notice redemption = $18,822,309, funds with monthly, 60 day notice = $6,830,778, funds with quarterly, 30 day notice redemption = $64,649,522, funds with rolling 5 year, 60 day notice = $14,719,235

(2) These funds are expected to liquidate within 1–8 years

(3) Various limitations on withdrawals

(4) Funds with quarterly redemption = $8,642,659, annually = $66,538,151, semi-liquid = $4,722,682, rolling 3 year = $23,202,605 rolling 5 year = $14,300,339

(5) Funds with monthly redemption = $7,206,163, quarterly = $29,416,038, and annually = $111,281,714

| | May 31, 2023 | | | Redemption or liquidation | Days' notice | Related unfunded commitment |
|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Total | | | |
| Short-term investment strategies: | | | | | | |
| Investments at fair value: | | | | | | |
| Cash equivalents | $ 265,733 | — | 265,733 | | | |
| Money market | 61,940,213 | — | 61,940,213 | | | |
| Fixed income | — | 21,248,944 | 21,248,944 | | | |
| Global equities | 32,389,908 | — | 32,389,908 | | | |
| Short-term investment strategies | 94,595,854 | 21,248,944 | 115,844,798 | | | |
| Long-term investment strategies: | | | | | | |
| Investments at fair value: | | | | | | |
| Cash equivalents | 21,912,539 | — | 21,912,539 | | | |
| Global equities | 4,850,438 | — | 4,850,438 | | | |
| Investments at net asset value: | | | | | | |
| Global equities: | | | | | | |
| Developed markets | — | — | 86,408,484 | Various (1) | 30-60 | None |
| Multiple strategies | — | — | 8,369,433 | Annually | 90 | None |
| Private equity and venture capital funds | — | — | 16,036,118 | Illiquid (2) | N/A | 8,646,674 |
| Real assets: | | | | | | |
| Private real estate | — | — | 15,028,287 | Illiquid (3) | N/A | 5,941,636 |
| Direct hedge equity/multiple strategies | — | — | 95,959,342 | Various (4) | 45–90 | None |
| Direct absolute return/multiple strategies | — | — | 141,457,013 | Various (5) | 45–180 | None |
| Long-term investment strategies | 26,762,977 | — | 390,021,654 | | | |
| Total | $ 121,358,831 | 21,248,944 | 505,866,452 | | | |

(1) Funds with monthly, 30 day notice redemption = $15,850,359, funds with monthly, 60 day notice redemption = $5,461,800 funds with quarterly, 30 day notice redemption = $53,662,690, funds with rolling 5 year, 60 day notice = $11,433,635

(2) These funds are expected to liquidate within 1–8 years

(3) Various limitations on withdrawals.

(4) Funds with quarterly redemption = $7,061,750, annually = $55,887,354, semi-liquid = $2,845,013, rolling 3 year = $17,915,635 rolling 5 year = $12,249,590

(5) Funds with monthly redemption = $9,254,917, quarterly = $25,726,584, and annually = $106,475,512

Alternative investments are redeemable at NAV under the original terms of the partnership agreement and/or subscription agreements and operations of underlying funds. All alternative investment redemptions require written notice prior to the redemption period. The long-term investments' fair values as of May 31, 2024 are classified below by redemption period:

| | | Investment fair values |
|---|---|---|
| Investments redemption period: | | |
| Daily | $ | 106,974,561 |
| Monthly | | 32,859,250 |
| Quarterly | | 102,708,219 |
| Annually | | 187,246,773 |
| Locked up or illiquid | | 85,380,470 |
| Total as of May 31, 2024 | $ | 515,169,273 |

The investments categorized as locked up are those funds that are locked up based on subscription agreements until liquidation, such as private equity and real asset funds.

## (5) Endowment

The College's endowment consists of approximately 300 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *(a) Interpretation of Relevant Law*

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts. Under UPMIFA, the Board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and 7) the investment policy of the College.

Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the donor restricted amount will remain intact. This perspective is aligned with the accounting standards definition that donor restricted funds are those that must be held in perpetuity even though the historic dollar value may be dipped into on a temporary basis.

The College classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted 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. The remaining portion of the donor-restricted endowment fund represents accumulated investment return on these donor restricted net assets and is classified as donor restricted net assets, until appropriated for spending by the Board.

***(b) Return Objectives and Risk Parameters***

The College has adopted investment and spending policies for endowment assets that are intended to ensure a total return (yield plus capital appreciation) necessary to at least preserve, but expected to enhance (in real dollar terms) endowment assets, while providing a dependable source of income for current operations and scholarships. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds.

To satisfy its long-term rate-of-return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places emphasis on investments in equities, fixed income and alternative investments to achieve its long-term return objectives within prudent risk constraints.

***(c) Spending Policy and How the Investment Objectives Relate to Spending Policy***

State law permits the spending of gains on endowment funds over a stipulated period of time. State law allows the Board to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the College’s long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the College’s current endowment spending policy, which is within the guidelines specified under state law, 4.5% of the average of the fair value of qualifying endowment investments at the end of the previous three years is authorized for appropriation. The authorized appropriation amounted to $17,711,948 in 2024 and $16,953,992 in 2023. In establishing this policy, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.



(Continued)

### *(d) Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Deficiencies of this nature that are reported as reductions in net assets with donor restrictions totaled $8,473 and $143,623 as of May 31, 2024 and 2023, respectively.

Endowment funds consisted of the following at May 31, 2024:

| | Without donor restrictions | With donor restrictions: Underwater funds | With donor restrictions: Other funds | Total |
|---|---|---|---|---|
| Donor-restricted endowments: | | | | |
| Historical gift | $ — | 462,136 | 81,100,871 | 81,563,007 |
| Net appreciation/depreciation | — | (8,473) | 26,371,307 | 26,362,834 |
| Board-designated endowments | 318,458,623 | — | — | 318,458,623 |
| Total endowed funds | $ 318,458,623 | 453,663 | 107,472,178 | 426,384,464 |

Endowment funds consisted of the following at May 31, 2023:

| | Without donor restrictions | With donor restrictions: Underwater funds | With donor restrictions: Other funds | Total |
|---|---|---|---|---|
| Donor-restricted endowments: | | | | |
| Historical gift | $ — | 6,174,817 | 71,517,697 | 77,692,514 |
| Net appreciation/depreciation | — | (143,623) | 18,754,224 | 18,610,601 |
| Board-designated endowments | 293,718,539 | — | — | 293,718,539 |
| Total endowed funds | $ 293,718,539 | 6,031,194 | 90,271,921 | 390,021,654 |

Changes in endowment funds for the year ended May 31, 2024 are as follows:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Endowment funds, June 1, 2023 | $ 293,718,539 | 96,303,115 | 390,021,654 |
| Total investment return | 36,201,482 | 11,248,469 | 47,449,951 |
| Contributions | — | 3,870,493 | 3,870,493 |
| Appropriation of endowment assets for expenditure | (13,020,688) | (4,691,260) | (17,711,948) |
| Transfers and other | 1,559,290 | 1,195,024 | 2,754,314 |
| Endowment funds, May 31, 2024 | $ 318,458,623 | 107,925,841 | 426,384,464 |

Changes in endowment funds for the year ended May 31, 2023 are as follows:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Endowment funds, June 1, 2022 | $ 313,480,503 | 93,111,849 | 406,592,352 |
| Total investment return | 11,349,962 | 3,478,603 | 14,828,565 |
| Contributions | — | 3,942,546 | 3,942,546 |
| Appropriation of endowment assets for expenditure | (12,482,298) | (4,471,694) | (16,953,992) |
| Transfers for capital projects | (18,629,628) | 241,811 | (18,387,817) |
| Endowment funds, May 31, 2023 | $ 293,718,539 | 96,303,115 | 390,021,654 |

### (6) Property, Plant, and Equipment, net

Property, plant, improvements, and equipment, net consisted of the following at May 31:

| | 2024 | 2023 | Estimated useful life |
|---|---|---|---|
| Land | $ 56,752,952 | 56,752,952 | — |
| Buildings | 200,035,298 | 200,170,816 | 40 years |
| Improvements | 215,446,226 | 195,016,963 | 15–20 years |
| Furniture and equipment | 50,540,923 | 64,521,187 | 3–10 years |
| Library books | 3,264,214 | 3,265,501 | 10 years |
| Construction in progress | 6,007,360 | 7,731,751 | — |
| | 532,046,973 | 527,459,170 | |
| Less accumulated depreciation and amortization | (226,430,629) | (232,526,669) | |
| | $ 305,616,344 | 294,932,501 | |

Total depreciation and amortization expense of property, plant, and equipment was $17,236,387 and $16,169,846 in 2024 and 2023, respectively.

### (7) Bonds Payable, net

Bonds payable consisted of the following at May 31:

| | 2024 | 2023 |
|---|---|---|
| (a) MDFA Revenue Bonds, Berklee College of Music Series 2016, dated August 1, 2016 (including unamortized premium of $24,796,208 and $25,910,644 in 2024 and 2023, respectively) | 156,151,208 | 161,550,644 |
| (b) MDFA Revenue Bonds, Berklee College of Music Series 2020A, dated March 1, 2020 (including unamortized discount of $112,695 and $117,057 in 2024 and 2023, respectively) | 75,387,305 | 77,462,943 |
| Total bonds payable | 231,538,513 | 239,013,587 |
| Deferred issuance cost on bonds | (1,468,267) | (1,530,795) |
| Bonds payable, net | $ 230,070,246 | 237,482,792 |

***(a) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2016***

On August 1, 2016 the College issued $149,505,000 Revenue Bonds, Series 2016 (the Series 2016 bonds) from the Massachusetts Development Finance Agency. The Series 2016 bonds bear interest at rates ranging from 4.0% to 5.0% and principal is due in varying installments of $1,425,000 to $22,525,000 until October 1, 2046.

***(b) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2020A***

On March 1, 2020, the College issued $79,630,000 Revenue Bonds Series 2020A from the Massachusetts Development Finance Agency. The Series 2020A bonds bear interest at rates ranging from 1.47% to 3.09% and principal is due in varying installments of $2,050,000 to $26,070,000 until October 1, 2049.

Scheduled long-term maturities of existing indebtedness at May 31, 2024 in each of the next five years and in the aggregate thereafter are as follows:

| | | Amount |
|---|---|---|
| Year ending May 31: | | |
| 2025 | $ | 6,615,000 |
| 2026 | | 6,880,000 |
| 2027 | | 7,155,000 |
| 2028 | | 7,450,000 |
| 2029 | | 7,760,000 |
| Thereafter | | 170,995,000 |
| | | 206,855,000 |
| Net unamortized bond premium and discount | | 24,683,513 |
| | $ | 231,538,513 |

## (8) Revolving Credit Facility

The College has a revolving line credit facility of $25,000,000 and during fiscal year 2024, the College extended the termination date to April 11, 2025.

There were no outstanding borrowings under this facility at May 31, 2024 or 2023.

## (9) Student Accounts Receivable, net

Student accounts receivable consisted of the following at May 31:

| | 2024 | 2023 |
|---|---|---|
| Student Accounts Receivable | 22,525,738 | 4,415,559 |
| Less: Allowance for credit losses | $ (5,023,468) | (4,174,274) |
| Student Accounts Receivable, net | 17,502,270 | 241,285 |

For fiscal year 2024, an accounting and reporting change was made to recognize student accounts receivable associated with the College's summer programs which began before May 31, 2024. This accounting change had a related and similar impact on the balance in student deposits and deferred revenue at May 31, 2024.

## (10) Contributions Receivable, net

Contributions receivable consist of the following at May 31:

| | 2024 | 2023 |
|---|---|---|
| Unconditional promises expected to be collected in: | | |
| Less than one year | $ 2,973,695 | 4,237,926 |
| One year to five years | 3,609,306 | 5,929,118 |
| Six to ten years | 45,000 | — |
| | 6,628,001 | 10,167,044 |
| Less allowance for uncollectible pledges | (637,053) | (990,958) |
| | 5,990,948 | 9,176,086 |
| Less present value discount | (381,218) | (1,303,692) |
| Contributions Receivable, net | $ 5,609,730 | 7,872,394 |

The present value of estimated future cash flows is measured utilizing a discount rate equivalent to U.S. Treasury yields of similar maturity (3-year, 5-year, and 10-year rates) based on the anticipated pledge fulfillment date. The rates utilized to calculate the discount ranged from .05% to 5.18% in 2024 and 2023.

## (11) Retirement Plans

The College offers a defined contribution retirement plan to substantially all employees. This plan provides for investments through the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), as well as Transamerica Retirement Services. The College matches all savings in a pay period up to 3% of pay for full-time employees hired before January 1, 2012, up to 6% of pay for full-time employees hired January 1, 2012 or later, and up to 50% of 10% of pay for eligible part-time employees who are eligible for medical benefits under the College's healthcare program. All eligible, full-time employees hired after January 1, 2012 also receive an additional 3% of pay. The College contributed \$8,772,177 and \$7,593,755, respectively, for the years ended May 31, 2024 and 2023.

The College also sponsors a noncontributory, defined benefit pension plan (the Pension Plan) that covers substantially all those full-time employees that were hired prior to January 1, 2012. The Pension Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the College and their compensation rates near retirement. Guidance under GAAP requires the Pension Plan's funding deficit or surplus to be recognized in the sponsoring employer's statement of financial position and plan assets and benefit obligations to be measured as of the date of the College's fiscal year-end. The College froze the Pension Plan to new membership as of January 1, 2012.

Pension expense for the years ended May 31 includes the following components:

| | | 2024 | 2023 |
|---|---|---|---|
| Service cost of the current period | $ | 3,495,389 | 3,164,790 |
| Interest cost on the projected benefit obligation | | 5,940,245 | 5,463,488 |
| Expected return on assets held in the plan | | (6,411,889) | (5,907,505) |
| Recognition of net actuarial loss | | 1,278,048 | 1,087,866 |
| Settlement | | — | 1,980,419 |
| Pension expense | $ | 4,301,793 | 5,789,058 |

The following sets forth the change in benefit obligation, change in plan assets, and funded status of the Pension Plan and the amounts shown in the accompanying consolidated statements of net assets at May 31:

| | 2024 | 2023 |
|---|---|---|
| Change in benefit obligation: | | |
| Benefit obligation at beginning of year | $ 131,716,818 | 145,431,568 |
| Service cost | 3,495,389 | 3,164,790 |
| Interest cost | 5,940,245 | 5,463,488 |
| Settlement loss | — | 2,554,067 |
| Settlement payments | — | (13,555,189) |
| Actuarial gain | (3,718,162) | (7,879,503) |
| Benefits paid | (11,745,280) | (3,462,403) |
| Benefit obligation at end of year | 125,689,010 | 131,716,818 |
| Change in plan assets: | | |
| Fair value of plan assets at beginning of year | 97,648,569 | 108,865,491 |
| Actual return on plan assets | 9,270,619 | 3,585,538 |
| Employer contributions | 4,714,589 | 2,215,132 |
| Benefits paid | (11,033,323) | (3,462,403) |
| Settlement payments | — | (13,555,189) |
| Administrative Expenses | (711,957) | — |
| Fair value of assets held in the plan | 99,888,497 | 97,648,569 |
| Pension liability at end of year | $ 25,800,513 | 34,068,249 |

Pension expense was computed based on a weighted average discount rate of 4.88% for 2024 and 4.08% for 2023, respectively, expected long-term rate of return on assets of 6.9% for 2024 and 6.0% for 2023 and future personnel expense increases of 3% for 2024 and 2023. The discount rates that were used to measure service cost during 2024 and 2023 were 4.94% and 4.17%, respectively. The discount rates that were used to measure interest cost during 2024 and 2023 were 4.78% and 3.61%, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation in 2024 and 2023 was 5.35% and 4.88%, respectively.

The actuarial gain reflects the increase in the discount rate of 0.47% and .50% at May 31, 2024 and 2023, respectively.

The benefits expected to be paid after May 31, 2024 are as follows:

| | | |
|---|---|---|
| Years ending May 31: | | |
| 2025 | $ | 12,937,863 |
| 2026 | | 9,650,362 |
| 2027 | | 9,405,502 |
| 2028 | | 9,399,579 |
| 2029 | | 9,205,268 |
| 2030–2034 | | 46,381,403 |

The expected long-term rate of return on assets was determined by considering the current and expected asset allocations, as well as historical and expected returns on the categories of plan assets.

The College's asset allocations and investment policy guidelines as of the measurement date are as follows:

| | Target allocation | Plan assets at May 31 | |
|---|---|---|---|
| | | 2024 | 2023 |
| Equity securities | 62.5 % | 22 % | 13 % |
| Debt securities | 7.5 | — | — |
| Real Estate / Other | 30 | 78 | 87 |

The investment strategy of the Pension Plan is designed to maximize total return (income plus capital change) while preserving the capital values of the funds, protecting the funds from inflation, and providing liquidity as needed for plan benefits. The objective is to provide a rate of return that meets or exceeds the expected long-term rate of return on plan assets.

Other changes in pension liability recognized in net assets without donor restrictions were as follows:

| | Fiscal years ended May 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net gain | $ 7,854,940 | 6,071,754 |

The investment strategy of the noncontributory retirement plan is to allocate assets among investment classes that will provide for stability and growth of plan assets in varying market environments. To that end, the plan has adopted policies that require each asset class to be diversified and that multiple managers with differing styles of management are employed. On a quarterly basis, the plan reviews progress toward achieving its and individual managers' performance objectives.

The value of the Pension Plan's assets by asset class are as follows at May 31, 2024:

| | May 31, 2024 | | Redemption or | Days' | Related unfunded |
|---|---|---|---|---|---|
| | Level 1 | Total | liquidation | notice | commitment |
| Investments at fair value: | | | | | |
| Cash equivalents and fixed income | $ 22,256,988 | 22,256,988 | | | |
| International equities | 4,411,555 | 4,411,555 | | | |
| Investments at net asset value: | | | | | |
| Domestic equities | — | 978,048 | Annually/ illiquid | N/A | 852,700 |
| International equities | — | 20,620,250 | Monthly/ quarterly | 30 days | None |
| Private equity & venture capital funds | — | 45,084,296 | Quarterly/ annually | 0-180 days | None |
| Real assets | — | 6,537,360 | Illiquid | N/A | 939,257 |
| | $ 26,668,543 | 99,888,497 | | | |

The value of the Pension Plan's assets by asset class are as follows at May 31, 2023:

| | May 31, 2023 | | Redemption or | Days' | Related unfunded |
|---|---|---|---|---|---|
| | Level 1 | Total | liquidation | notice | commitment |
| Investments at fair value: | | | | | |
| Cash equivalents and fixed income | $ 24,017,725 | 24,017,725 | | | |
| International equities | 3,796,300 | 3,796,300 | | | |
| Investments at net asset value: | | | | | |
| Domestic equities | — | 1,120,415 | Quarterly/ annually | 30–90 days | 2,926,649 |
| International equities | — | 20,831,012 | Quarterly/ annually | 30–180 days | None |
| Private equity & venture capital funds | — | 40,842,051 | Illiquid | N/A | None |
| Real assets | — | 7,041,066 | Illiquid | N/A | 1,367,791 |
| | $ 27,814,025 | 97,648,569 | | | |

No investments at fair value are considered to be Level 2 or Level 3 investments in the fair value hierarchy at May 31, 2024 and 2023, respectively.

## (12) Right of Use Assets and Lease Liabilities

*Lessee*

Operating lease right-of-use assets obtained in exchange for new operating lease liabilities were $32,711,351 and $3,993,017 in 2024 and 2023, respectively.

Finance lease right-of-use assets obtained in exchange for new finance lease liabilities were $5,553,768 and $0 in 2024 and 2023, respectively.

The following table summarizes the College's lease assets and liabilities as of May 31:

| Right of use assets and lease liabilities | Statement of Financial Position | | 2024 | 2023 |
|---|---|---|---|---|
| Right of use assets – Operating | Right of use assets | $ | 48,611,200 | 20,042,400 |
| Right of use assets – Financing | Right of use assets | | 4,998,391 | — |
| Right of use liabilities – Operating | Lease liabilities | | 50,122,407 | 21,192,186 |
| Right of use liabilities – Financing | Lease liabilities | | 4,440,439 | — |

The following table summarizes the College's lease related costs for the year ended May 31:

| Lease cost | Statement of Activities location | | 2024 | 2023 |
|---|---|---|---|---|
| Operating lease cost | Functional expenses | $ | 5,580,611 | 4,988,759 |
| Sublease income | Sales and service of auxiliary enterprises | | 350,967 | 241,991 |
| Finance lease cost: | | | | |
| Amortization of right of use assets | Depreciation and amortization | | 555,377 | — |
| Interest on lease liabilities | Interest | | 86,480 | — |

The following table summarizes maturities of lease liabilities as of May 31, 2024:

| | | Operating | Financing |
|---|---|---|---|
| 2025 | $ | 5,985,528 | 1,199,810 |
| 2026 | | 7,400,300 | 1,199,810 |
| 2027 | | 7,489,546 | 1,199,810 |
| 2028 | | 5,982,817 | 1,199,810 |
| 2029 – 2050 | | 38,901,223 | — |
| | | 65,759,414 | 4,799,240 |
| Less present value discount | | (15,637,007) | (358,801) |
| Lease liability | $ | 50,122,407 | 4,440,439 |

The following table summarizes information about operating and financing leases as of May 31:

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | Operating | Financing | Operating | Financing |
| Weighted average remaining lease term (years) | 11.4 | 4.5 | 5.3 | — |
| Weighted average discount rate | 4.94% | 3.94% | 6.62% | — |

*Lessor*

The College generates rental income from several buildings it owns in which the College is the lessor and from certain subleases. The future undiscounted cash flows to be received from leases for each of the next five years and thereafter:

| | Amount |
|---|---|
| Fiscal year: | |
| 2025 | $ 1,082,436 |
| 2026 | 1,152,054 |
| 2027 | 1,175,606 |
| 2028 | 1,149,725 |
| 2029 | 1,104,381 |
| Thereafter | 2,567,564 |

Rental income from leased space was $1,323,229 in 2024 and $1,316,036 in 2023.

## (13) Net Assets with Donor Restrictions

| | 2024 | 2023 |
|---|---|---|
| Endowment and unspent gifts: | | |
| Instruction | $ 19,705,570 | 20,013,892 |
| Institutional support | 18,688,768 | 16,584,469 |
| Student aid | 72,700,637 | 67,102,240 |
| Facilities | 182,851 | 166,061 |
| Capital campaign programs | 8,482,770 | 8,450,027 |
| | 119,760,596 | 112,316,689 |
| Unappropriated gains from endowed restricted net assets | 25,418,453 | 18,552,862 |
| Outstanding pledges | 5,324,997 | 7,613,871 |
| | $ 150,504,046 | 138,483,422 |

The College classifies unspent gains as with donor restrictions until it appropriates and spends such sums in accordance with the terms of the underlying endowment funds, at which time, they will be reclassified to without restriction revenues.

## (14) Functional Expenses

The following summary presents the effect on functional expenses had the direct and indirect cost components been allocated to the functional expenses for the years ended May 31, 2024 and 2023:

| | Fiscal year ended May 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | | Indirect costs | | | | |
| | Instruction | Academic support | Student services | Auxiliary services | Institutional support | Total expenses |
| Expenses: | | | | | | |
| Salaries and wages | $ 101,458,432 | 15,542,108 | 19,043,023 | 1,118,405 | 42,295,184 | 179,457,152 |
| Employee benefits | 24,667,568 | 3,392,465 | 4,410,337 | 216,961 | 13,343,529 | 46,030,860 |
| Supplies, services, other | 23,621,564 | 3,781,849 | 8,999,356 | 10,132,148 | 27,481,823 | 74,016,740 |
| Depreciation and amortization | 8,842,146 | 362,404 | 231,773 | 5,131,147 | 3,224,294 | 17,791,764 |
| Interest | 3,050,739 | 125,065 | 79,984 | 3,219,873 | 1,119,895 | 7,595,556 |
| Maintenance | 13,299,071 | 545,194 | 348,675 | 7,719,204 | 4,850,569 | 26,762,713 |
| Total operating expenses | $ 174,939,520 | 23,749,085 | 33,113,148 | 27,537,738 | 92,315,294 | 351,654,785 |

| | Fiscal year ended May 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | | Indirect costs | | | | |
| | Instruction | Academic support | Student services | Auxiliary services | Institutional support | Total expenses |
| Expenses: | | | | | | |
| Salaries and wages | $ 95,523,154 | 14,586,456 | 16,175,187 | 1,043,872 | 37,163,845 | 164,492,514 |
| Employee benefits | 21,972,009 | 2,946,019 | 3,741,850 | 238,601 | 10,752,794 | 39,651,273 |
| Supplies, services, other | 22,909,198 | 3,472,343 | 7,456,444 | 10,894,015 | 30,579,254 | 75,311,254 |
| Depreciation and amortization | 8,042,374 | 329,403 | 210,667 | 4,753,952 | 2,833,450 | 16,169,846 |
| Interest | 3,176,439 | 130,218 | 83,280 | 3,239,865 | 1,120,106 | 7,749,908 |
| Maintenance | 11,372,708 | 466,224 | 298,170 | 6,738,699 | 4,010,351 | 22,886,152 |
| Total operating expenses | $ 162,995,882 | 21,930,663 | 27,965,598 | 26,909,004 | 86,459,800 | 326,260,947 |

Expenses associated with the operation and maintenance of plant assets, including depreciation and interest expense, are disclosed separately on the consolidated statement of activities. The above presents the impact had these expenses been allocated, based on actual square footage utilized, to operating expenses for instruction, academic support, student and enrollment services, institutional support and advancement, and auxiliary enterprises. Expenses associated with fundraising activities were $4,549,364 and $4,031,611 in 2024 and 2023, respectively, and are included in institutional support and advancement on the statements of activities.

### (15) Related Parties

Members of the College's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the College. The Board's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees can participate in any decision by the College in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the College requires an annual disclosure of significant financial interest in, or employment or consulting relationships 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 interest of the College and ensure compliance with relevant conflict of interest laws or policy.

### (16) Subsequent Events

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to May 31, 2024 and through September 30, 2024 the date on which the consolidated financial statements were issued.