BERKLEE CONSOLIDATED FINANCIAL STATEMENTS

2023

Berklee

Berklee

1140 Boylston Street
Boston, MA 02215-3693
617-266-1400

Dear Berklee community,

I am pleased to share that Berklee ended FY23 with a positive margin in unrestricted operations of $16 million, or 4.7 percent, which is above our annual targeted range of 2–4 percent. This margin was lower than the prior fiscal year (5.4 percent) by 70 basis points. The less favorable result owes to post-COVID economic inflation on operating, equipment, and materials costs, and the cap on new enrollment targets, offset in some measure by overperformance on continuing enrollment both year to year and from fall to spring.

Statement of Activities ($ in million)	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual
Revenue	$288.7	$296.0	$237.5	$313.3	$342.3
Expense	$276.0	$280.5	$242.6	$296.4	$326.3
Results from operations	$12.7	$15.5	($5.1)	$16.9	$16.0
Operating Margin	***4.4%***	***5.3%***	***(2.1%)***	***5.4%***	***4.7%***

Similarly, Berklee's endowment posted positive investment returns of $14.8 million (+3.65 percent) in FY23, in comparison to negative returns of $41.1 million (–9.20 percent) in FY22. This change was largely driven by market recovery.

Turning to the balance sheet (next page), assets increased and liabilities decreased, resulting in growth to net assets of $26.1 million overall. Liquidity remained roughly level year over year (the sum of cash and short-term investments), impacted by draws related to the renovation of 12 Hemenway Street, student experience investments, and other capital renovation and repair costs deferred during COVID. Despite these additional capital expenditures, cash and cash equivalents increased $4.4 million from FY22. However, short-term investments increased $22.6 million above FY22. As mentioned above, the endowment performance was much improved this year. Bonds and notes payable were reduced by the scheduled amounts of debt service payments, resulting in an overall reduction in debt principal of $7.2 million from $244.7 million to $237.5 million.

In the statement of activities, net tuition and fees increased $27.6 million, while contributions decreased by $1.85 million. In expense, the cost of instruction has edged upward, fueled by post-COVID inflation and corresponding salary increases. The cost of academic support has also increased moderately due to post-COVID market-driven wage inflation and essential employee retention–related compensation increases. The cost of institutional support and advancement increased by $10.6 million; however, this figure also included several significant one-time institutional-level administrative expenses.

Depreciation and amortization increased year over year, owing to the recent execution and completion of significant capital projects to address deferred maintenance and the launch of student experience investments in FY23.

Unrestricted net assets are 71.8 percent of the total, which is very positive compared to the majority of our peer institutions. This represents an increase of 80 basis points above the previous fiscal year. Berklee's debt at the close of FY23 remains elevated compared to our A-rated peers, with $237.5 million in outstanding principal.

Statement of Financial Position ($ in millions)	2019 Actual	2020 Actual	2021 Actual	2022 Actual	2023 Actual
Assets	$779.6	$761.6	$892.1	$854.9	$869.5
Liabilities	$382.1	$414.6	$411.7	$389.5	$378.0
Net assets	$397.5	$347.0	$480.4	$465.4	$491.5
% of total net assets without donor restriction	***72.8%***	***67.4%***	***67.1%***	***70.7%***	***71.8%***

There were no new accounting pronouncements or material changes in the statements adopted in fiscal year 2023, and as mentioned above Berklee has received an unqualified opinion from its external auditing firm KPMG.

We look forward to an exciting year ahead as we continue to provide high-quality education while enhancing the student experience.

F. John Case
Interim Chief Financial Officer

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Financial Statements

May 31, 2023 and 2022

(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, 2023 and 2022, 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, 2023 and 2022, 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
February 28, 2024

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Financial Position

May 31, 2023 and 2022

Assets		2023	2022
Cash and cash equivalents	$	22,719,091	18,297,947
Short-term investments (note 4)		115,844,798	93,277,976
Accounts receivable, net (note 9)		241,285	453,046
Contributions receivable, net (note 10)		7,872,394	8,442,485
Other assets		17,736,590	13,064,716
Loans receivable, net (note 9)		88,316	933,485
Deposits with bond trustees (note 7)		35,554	35,542
Long-term investments (notes 4 and 5)		390,021,654	406,592,352
Property, improvements, and equipment, net (note 6)		294,932,501	293,930,600
Right-of-use asset, net (note 12)		20,042,400	19,912,026
Total assets	$	869,534,583	854,940,175
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	38,218,757	39,113,473
Student deposits and deferred liabilities		40,393,785	41,558,584
Accrued pension liabilities (note 11)		36,920,285	39,251,959
Operating lease obligations (note 12)		21,192,186	21,150,218
Bonds and notes payable (note 7)		237,482,792	244,655,337
Other liabilities		3,806,363	3,763,956
Total liabilities		378,014,168	389,493,527
Net assets:			
Without donor restrictions		353,036,993	328,726,735
With donor restrictions (note 13)		138,483,422	136,719,913
Total net assets		491,520,415	465,446,648
Total liabilities and net assets	$	869,534,583	854,940,175

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statement of Activities

Year ended May 31, 2023

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
Operating:				
Revenues:				
Student tuition and fees (net aid of $99,167,015)	$ 269,878,903	—	269,878,903	242,312,532
Residence hall and dining fees (net 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 Statement of Activities

Year ended May 31, 2022

	Without donor restrictions	With donor restrictions	2022 Total	2021 Total
Operating:				
Revenues:				
Student tuition and fees (net aid of $89,652,239)	$ 242,312,532	—	242,312,532	187,954,876
Residence hall and dining fees (net aid of $848,663)	30,398,302	—	30,398,302	5,840,937
Net tuition and fees	272,710,834	—	272,710,834	193,795,813
Contributions	1,204,330	7,815,050	9,019,380	15,319,354
Grants and contracts	4,943,186	—	4,943,186	9,610,711
Investment return for operations (note 5)	11,668,763	4,061,867	15,730,630	16,197,812
Other income	3,573,521	—	3,573,521	4,732,643
Sales and service of auxiliary enterprises	6,451,819	—	6,451,819	4,350,564
Net assets released from restrictions	12,738,324	(12,738,324)	—	—
Total operating revenues	313,290,777	(861,407)	312,429,370	244,006,897
Expenses:				
Instruction	126,933,334	—	126,933,334	111,892,821
Academic support	17,126,284	—	17,126,284	11,098,091
Student and enrollment services	27,758,147	—	27,758,147	18,093,682
Institutional support and advancement	67,864,210	—	67,864,210	56,041,222
Auxiliary enterprises	11,710,259	—	11,710,259	4,904,894
Operation and maintenance of physical plant:				
Depreciation and amortization	15,869,257	—	15,869,257	15,490,187
Interest	7,998,706	—	7,998,706	9,377,113
Maintenance	21,177,914	—	21,177,914	15,690,054
Total operating expenses	296,438,111	—	296,438,111	242,588,064
Change in net assets from operating activities	16,852,666	(861,407)	15,991,259	1,418,833
Nonoperating:				
Investment return	(19,184,432)	(21,909,305)	(41,093,737)	114,628,364
Investment return for operations (note 5)	(11,668,763)	(4,061,867)	(15,730,630)	(16,197,812)
Contributions for long-term investment	450,607	5,479,448	5,930,055	9,047,343
Other	(1,997,303)	—	(1,997,303)	(4,065,000)
Net periodic benefit cost other than service cost (note 11)	21,957,095	—	21,957,095	28,564,014
Change in net assets from nonoperating activities	(10,442,796)	(20,491,724)	(30,934,520)	131,976,909
Change in net assets	6,409,870	(21,353,131)	(14,943,261)	133,395,742
Net assets at beginning of year	322,316,865	158,073,044	480,389,909	346,994,167
Net assets at end of year	$ 328,726,735	136,719,913	465,446,648	480,389,909

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 2023 and 2022

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	26,073,767	(14,943,261)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		16,169,846	15,869,257
Realized and unrealized (gains) losses on investments, net		(15,040,449)	41,093,737
Pension obligation costs		(3,811,103)	(21,957,095)
Loss on disposal of fixed assets		—	1,997,303
Amortization of right-of-use assets-operating		3,862,643	2,024,565
Contributions for long-term investment		(4,419,576)	(8,017,009)
Change in operating assets		(3,890,022)	12,777,269
Change in operating liabilities		(6,557,111)	3,736,857
Net cash provided by operating activities		12,387,995	32,581,623
Cash flows from investing activities:			
Change in deposits with bond trustees		(12)	3,019
Purchase of property, plant, improvements, and equipment		(16,193,316)	(26,097,788)
Disbursements and repayment of student loans		845,169	202,257
Proceeds from sale and maturity of investments		50,576,705	66,682,640
Purchase of investments		(41,532,380)	(78,453,031)
Net cash used in investing activities		(6,303,834)	(37,662,903)
Cash flows from financing activities:			
Payments on bonds and notes payable		(6,125,000)	(5,960,000)
Contributions for long-term investment		4,419,576	8,017,009
Increase in refundable advances – U.S. government grants		42,407	46,028
Net cash (used in) / provided by financing activities		(1,663,017)	2,103,037
Net change in cash and cash equivalents		4,421,144	(2,978,243)
Cash and cash equivalents, beginning of year		18,297,947	21,276,190
Cash and cash equivalents, end of year	$	22,719,091	18,297,947
Supplemental data:			
Interest paid	$	8,892,472	9,158,446
Change in accounts payable attributable to capital acquisitions		978,431	150,384
Cash paid for amounts included in the measurement of operating lease liabilities		5,077,165	5,133,074

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 a 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 are 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 investments, contributions of capital assets, contributions to the endowment, and pension obligations.

(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.

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.

(h) Property, Improvements, and Equipment

Property, improvements, 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, 2023 and 2022.

(j) Student Deposits and Deferred Revenue

Student deposits along with advance payments for tuition, room and board, and fees related to the summer and fall semesters have been deferred and will be reported as revenue without donor restriction in the year in which the revenue is earned.

(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 or risk-free rate.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation 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, 2023 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, 2023 and 2022 included in Institutional Support was a net loss of $(546,991) and $(229,257), 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 $12,768,541 and $10,251,902 for the years ended May 31, 2023 and 2022, respectively. The estimated unpaid claims liability, included in accrued expenses at May 31, 2023 and 2022, amounted to $1,199,432 and $1,142,539, 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, 2023 and 2022, 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:

		2023	2022
Cash and cash equivalents	$	22,719,091	18,297,947
Contributions, notes, and accounts receivable, net		4,055,418	5,014,166
Short-term investments		115,844,798	93,277,976
Expected endowment appropriation		17,711,949	16,953,992
Total financial assets available within one year	$	160,331,256	133,544,081

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, 2023 and 2022, the College has an additional $293,718,539 and $313,480,503 in Board-designated endowments not budgeted for spending in 2023 and 2022, which is available for general expenditure with Board approval.

(4) Investments

The following tables summarize the College's investments by major category in the fair value hierarchy as of May 31, 2023 and 2022, as well as related strategy, liquidity, and funding commitments:

	May 31, 2023			Redemption or	Days'	Related unfunded
	Level 1	Level 2	Total	liquidation	notice	commitment
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			
Long-term investment strategies:						
Investments at fair value:						
Cash equivalents	21,912,539	—	21,912,539			
Global (excluding U.S.) equities:	4,850,438	—	4,850,438			
Investments at net asset value:						
Global (excluding U.S.) equities:						
Developed markets	—	—	86,408,484	Various (1)	30-60	None
Hedged equity funds of funds:						
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
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) Variety of benchmarks and 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

	May 31, 2022 Level 1	Total	Redemption or liquidation	Days' notice	Related unfunded commitment
Short-term investment strategies:					
Investments at fair value:					
Cash equivalents	$ 181,970	181,970			
Fixed income	20,947,243	20,947,243			
Global equities	31,565,649	31,565,649			
Money market	40,583,114	40,583,114			
Long-term investment strategies:					
Investments at fair value:					
Cash equivalents	67,534,143	67,534,143			
Global (excluding U.S.) equities	15,291,581	15,291,581			
Investments at net asset value:					
Global (excluding U.S.) equities:					
Developed markets	—	63,089,142	Various (1)	30–60	None
Hedged equity funds of funds:					
Multiple strategies	—	8,225,436	Annually	90	None
Private equity and venture capital funds	—	15,591,190	Illiquid (2)	N/A	10,756,997
Real assets:					
Private real estate	—	15,160,363	Illiquid (3)	N/A	5,941,636
Direct hedge equity/multiple strategies	—	90,582,725	Various (4)	45–90	None
Direct absolute return/multiple strategies	—	131,117,772	Various (5)	45–180	None
Total	$ 176,103,700	499,870,328			

(1) Funds with quarterly, 30 day notice redemption = $51,533,693, funds with rolling 5 year 60 day notice $11,555,449

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

(3) Variety of benchmarks and limitations on withdrawals.

(4) Funds with quarterly redemption = $6,554,981, annually = $51,532,573, semi-liquid = $2,556,588, rolling 3 year $18,164,349 and rolling 5 year $11,774,234.

(5) Funds with monthly redemption = $2,910,409, quarterly = $24,143,232, and annually $104,064,131.

No investments at fair value are considered to be Level 3 investments in the fair value hierarchy at May 31, 2023 or 2022, respectively. 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, 2023 are classified below by redemption period:

	Investment fair values
Investments redemption period:	
Daily	$ 142,607,775
Monthly	30,567,075
Quarterly	86,451,025
Annually	170,732,299
Locked up or illiquid	75,508,278
Total as of May 31, 2023	$ 505,866,452

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 that is not classified as donor restricted net assets 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 $16,953,992 in 2023 and $15,730,630 in 2022. 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.

(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. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in net assets without restriction. Deficiencies of this nature that are reported as reductions in net assets with donor restrictions totaled $143,623 and $126,768 as of May 31, 2023 and 2022, respectively.

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

Endowment funds consisted of the following at May 31, 2022:

		Without donor restrictions	With donor restrictions: Underwater funds	With donor restrictions: Other funds	Total
Donor-restricted endowments:					
Historical gift	$	—	3,716,802	70,033,166	73,749,968
Net appreciation/depreciation		—	(126,768)	19,488,649	19,361,881
Board-designated endowments		313,480,503	—	—	313,480,503
Total endowed funds	$	313,480,503	3,590,034	89,521,815	406,592,352

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

Changes in endowment funds for the year ended May 31, 2022 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, June 1, 2021	$ 332,307,136	114,325,980	446,633,116
Total investment return	(19,184,432)	(21,909,305)	(41,093,737)
Contributions	—	4,366,019	4,366,019
Appropriation of endowment assets for expenditure	(11,668,763)	(4,061,867)	(15,730,630)
Transfers from operations	12,026,562	391,022	12,417,584
Endowment funds, May 31, 2022	$ 313,480,503	93,111,849	406,592,352

(Continued)

(6) Property, Improvements, and Equipment

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

	2023	2022	Estimated useful life
Land	$ 56,752,952	56,541,339	—
Buildings	200,170,816	199,383,146	40 years
Improvements	195,016,963	190,317,856	15–20 years
Furniture and equipment	64,521,187	59,589,274	3–10 years
Library books	3,265,501	3,265,501	10 years
Construction in progress	7,731,751	1,252,835	—
	527,459,170	510,349,951	
Less accumulated depreciation and amortization	(232,526,669)	(216,419,351)	
	$ 294,932,501	293,930,600	

Total depreciation and amortization expense of property, improvements and equipment was $16,169,846 and $15,869,257 in 2023 and 2022, respectively.

(7) Bonds and Notes Payable

Bonds and notes payable consisted of the following at May 31:

	2023	2022
(a) MDFA Revenue Bonds, Berklee College of Music Series 2016, dated August 1, 2016 (including unamortized premium of $25,910,644 and $27,025,081 in 2023 and 2022, respectively)	161,550,644	166,740,081
(b) MDFA Revenue Bonds, Berklee College of Music Series 2020A, dated March 1, 2020 (including unamortized discount of $117,057 and $121,420 in 2023 and 2022, respectively)	77,462,943	79,508,580
Total bonds payable	239,013,587	246,248,661
Deferred issuance cost on bonds	(1,530,795)	(1,593,324)
Bonds payable	$ 237,482,792	244,655,337

(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, 2046.

Scheduled long-term maturities of existing indebtedness at May 31, 2023 in each of the next five years and in the aggregate thereafter are as follows:

	Amount
Year ending May 31:	
2024	$ 6,365,000
2025	6,615,000
2026	6,880,000
2027	7,155,000
2028	7,450,000
Thereafter	178,755,000
	213,220,000
Net unamortized bond premium and discount	25,793,587
	$ 239,013,587

(8) Revolving Credit Facility

The College has a revolving line credit facility of $25,000,000 and during fiscal year 2023, the College extended the termination date to April 11, 2024.

There were no outstanding borrowings under this facility at May 31, 2023 or 2022.

(9) Allowances for Uncollectible Accounts and Loans Receivable

Accounts receivable, arising from student tuition and fees, are presented net of an allowance for uncollectible accounts of $4,174,274 and $3,519,506 at May 31, 2023 and 2022, respectively.

Loans receivable, primarily from the federal Perkins loan program, are net of an allowance for uncollectible accounts of $894,896 and $933,485, at May 31, 2023 and 2022, respectively.

(10) Contributions Receivable, Net

Contributions receivable consist of the following at May 31:

		2023	2022
Unconditional promises expected to be collected in:			
Less than one year	$	4,237,926	4,630,540
One year to five years		5,929,118	5,129,667
		10,167,044	9,760,207
Less allowance for uncollectible pledges		(990,958)	(971,779)
		9,176,086	8,788,428
Less present value discount		(1,303,692)	(345,943)
Contributions Receivable, Net	$	7,872,394	8,442,485

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 2023 and .05% to 2.81% in 2022.

(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 $7,593,755 and $6,501,839, respectively, for the years ended May 31, 2023 and 2022.

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:

		2023	2022
Service cost of the current period	$	3,164,790	4,928,389
Interest cost on the projected benefit obligation		5,463,488	3,409,182
Expected return on assets held in the plan		(5,907,505)	(6,860,446)
Recognition of net actuarial loss		1,087,866	4,175,931
Settlement		1,980,419	2,160,303
Pension expense	$	5,789,058	7,813,359

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:

		2023	2022
Change in benefit obligation:			
Benefit obligation at beginning of year	$	145,431,568	181,308,659
Service cost		3,164,790	4,928,389
Interest cost		5,463,488	3,409,182
Settlement loss		2,554,067	1,420,605
Settlement payments		(13,555,189)	(10,488,807)
Actuarial gain		(7,879,503)	(32,232,331)
Benefits paid		(3,462,403)	(2,914,129)
Benefit obligation at end of year		131,716,818	145,431,568
Change in plan assets:			
Fair value of plan assets at beginning of year		108,865,491	122,283,651
Actual return on plan assets		3,585,538	(5,445,450)
Employer contributions		2,215,132	5,430,226
Benefits paid		(3,462,403)	(2,914,129)
Settlement payments		(13,555,189)	(10,488,807)
Fair value of assets held in the plan		97,648,569	108,865,491
Pension liability at end of year	$	34,068,249	36,566,077

Pension expense was computed based on a weighted average discount rate of 4.08% for 2023 and 2.77% for 2022, respectively, expected long-term rate of return on assets of 6% for 2023 and 2022 and future personnel expense increases of 3% for 2023 and 2022. The discount rates that were used to measure service cost during 2023 and 2022 were 4.17% and 2.93%, respectively. The discount rates that were used to measure interest cost during 2023 and 2022 were 3.61% and 1.97%, respectively.

(Continued)

The discount rate used in determining the actuarial present value of the projected benefit obligation in 2023 and 2022 was 4.88% and 4.08%, respectively.

The actuarial gain reflects the increase in the discount rate of .50% and 2.63% at May 31, 2023 and 2022, respectively.

The benefits expected to be paid after May 31, 2023 are as follows:

Years ending May 31:	
2024	$ 15,129,294
2025	9,408,477
2026	9,329,517
2027	9,223,507
2028	9,219,515
2029–2033	45,915,897

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 2023	Plan assets at May 31 2022
Equity securities	62.5 %	13 %	11 %
Debt securities	7.5	—	3
Other	30	87	86

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, 2023	Fiscal years ended May 31, 2022
Net gain	$ 6,071,754	24,842,066

(Continued)

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, 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			

The value of the Pension Plan's assets by asset class are as follows at May 31, 2022:

	May 31, 2022		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Investments at fair value:					
Cash equivalents and fixed income	$ 23,890,158	23,890,158			
International equities	12,936,492	12,936,492			
Investments at net asset value:					
Domestic equities	—	1,418,902	Quarterly/ annually	30–90 days	2,975,408
International equities	—	17,251,836	Quarterly/ annually	30–180 days	None
Private equity & venture capital funds	—	46,544,886	Illiquid	N/A	None
Real assets	—	6,823,217	Illiquid	N/A	2,415,672
	$ 36,826,650	108,865,491			

No investments at fair value are considered to be Level 2 or Level 3 investments in the fair value hierarchy at May 31, 2023 and 2022, respectively.

(12) Lease Commitments

Lessee

The right-of-use asset and corresponding liability associated with future lease payments at May 31, 2023 and 2022:

		2023	2022
Right-of-use assets	$	20,042,400	19,912,026
Lease liability		21,192,186	21,150,218
Weighted Average:			
Discount rate		6.62 %	5.96 %
Remaining least term (years)		5.30	5.60

Operating lease right-of-use assets obtained in exchange for new operating lease liabilities were $3,993,017 and $1,782,473 in 2023 and 2022, respectively.

Lease cost reported in supplies, services and other in the consolidated statement of activities amounted to $4,746,768 and $3,728,030 in fiscal 2023 and 2022 as follows:

		2023	2022
Operating	$	4,988,759	5,066,326
Less sublease income		(241,991)	(1,338,296)
Total	$	4,746,768	3,728,030

The following operating lease payments are expected to be paid for each of the following fiscal years ending May 31:

2024	$	5,115,189
2025		4,848,898
2026		4,640,955
2027		4,653,799
2028 – 2034		5,938,150
		25,196,991
Less present value discount		(4,004,805)
Lease liability	$	21,192,186

Lessor

The College owns several buildings in which the College is the lessor. The future undiscounted cash flows to be received from these leases for each of the next five years and thereafter is as follows:

	Amount
Fiscal year:	
2024	$ 1,272,175
2025	923,770
2026	876,414
2027	893,616
2028	861,196
Thereafter	1,652,282

Rental income from leased space was $1,316,036 in 2023 and $1,514,980 in 2022.

(13) Net Assets with Donor Restrictions

	2023	2022
Endowment and unspent gifts:		
Instruction	$ 20,013,892	17,925,836
Institutional support	16,584,469	15,434,468
Student aid	67,102,240	67,119,712
Facilities	166,061	145,380
Capital campaign programs	8,450,027	8,620,862
	112,316,689	109,246,258
Unappropriated gains from endowed restricted net assets	18,552,862	19,301,026
Outstanding pledges	7,613,871	8,172,629
	$ 138,483,422	136,719,913

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, 2023 and 2022:

	Fiscal year ended May 31, 2023					
		Indirect costs				
	Instruction	Academic support	Student services	Auxiliary services	Institutional support	Total expenses
Expenses:						
Education and general:						
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

	Fiscal year ended May 31, 2022					
		Indirect costs				
	Instruction	Academic support	Student services	Auxiliary services	Institutional support	Total expenses
Expenses:						
Education and general:						
Salaries and wages	$ 87,943,769	12,220,415	13,517,519	878,537	34,309,382	148,869,622
Employee benefits	20,158,381	2,430,554	3,131,410	170,185	8,889,425	34,779,955
Supplies, services, other	18,831,184	2,475,315	11,109,218	10,661,537	24,665,403	67,742,657
Depreciation and amortization	7,885,836	323,279	206,751	4,577,190	2,876,201	15,869,257
Interest	3,354,726	137,527	87,954	3,194,930	1,223,569	7,998,706
Maintenance	10,523,844	431,424	275,914	6,108,374	3,838,358	21,177,914
Total operating expenses	$ 148,697,740	18,018,514	28,328,766	25,590,753	75,802,338	296,438,111

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 $4,031,611 and $3,515,873 in 2023 and 2022, respectively, and are included in institutional support and advancement on the statements of activities.

(Continued)

(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, 2023 and through February 28, 2024 the date on which the consolidated financial statements were issued.