

Letter from the Chief Financial Officer – Fiscal Year 2021

I am pleased to present the audited financial statements for New England Conservatory for the fiscal year ending June 30, 2021. As in prior years, our external auditors have given their unqualified opinion that these materials fairly present the financial position of the conservatory and are free from material misstatement.

The COVID-19 pandemic continued to impact operations in fiscal year 2021. While this led to a cash flow deficit of roughly \$5.6 million, overall net assets of the conservatory grew by more than \$30 million, more than offsetting the one-time losses.

For the safety of our students, faculty, and staff, the difficult decision was made to keep the dorms closed for the academic year. This led to a loss of nearly \$4.5 million in residential and dining service revenue in comparison to a full on-campus experience. In addition, some students decided to pause their education, waiting for a return to the in-person experience, increasing our leave-of-absence and deferred-enrollment populations. Among those eager to continue their education, many faced their own financial hardships created by the pandemic; the institution responded by offering additional scholarships to both new and returning students. Together these impacts resulted in a \$5.8 million reduction in net tuition revenue compared with FY20 results. The Preparatory School and the School of Continuing Education were able to offer online alternatives in FY21 but still absorbed relative reductions in net tuition of \$1.1 million and \$0.3 million, respectively. In keeping with city and state guidelines and to ensure the continued health of our community, events and rentals of Jordan Hall were cancelled in FY21, for a loss of nearly \$1.4 million over the prior year.

To help offset the lost revenue, the conservatory undertook strict spending measures. With staff and faculty working remotely, there were also savings to be found in building operations and utilities expenses. Staffing was heavily scrutinized, and positions were eliminated, furloughed, or not replaced. These changes reduced overall operating expenses by more than \$3.6 million. The conservatory also received \$653 thousand in federal assistance from the Higher Education Emergency Relief Fund (HEERF) I and II grants, including \$183 thousand for student aid, further softening the impact of revenue declines.

The conservatory's endowment was valued at \$154.8 million on June 30, 2021. Investment returns and gifts added nearly \$36 million to the endowment, a 30.2% increase. In addition, in March 2021 the conservatory took out a \$7.5 million term note to help cover operating expenses for the year and beyond. As an added measure to ensure available liquidity, the conservatory also increased its line of credit from \$5 million to \$10 million, although no funds have been drawn from the vehicle. Taking advantage of the low interest rates available in the marketplace, the conservatory refinanced both of its outstanding bonds, reducing the interest rate from 3.34% to 2.34% going forward.

Despite the challenges presented by the ongoing pandemic, the conservatory made key investments in technology, infrastructure, and strategic planning initiatives to ensure a first-rate academic experience. This has positioned New England Conservatory to start the next year from a position of strength, and the entire senior leadership team is excited about the opportunities ahead of us.

Breean Fortier, Chief Financial Officer