

New England Conservatory of Music

Financial Report
June 30, 2025

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Independent Auditor's Report

Board of Trustees
New England Conservatory of Music

Opinion

We have audited the financial statements of New England Conservatory of Music (the Conservatory), which comprise the statements of financial position as of June 30, 2025 and 2024, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Conservatory as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Conservatory 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 Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 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 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 Conservatory'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Conservatory'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.

RSM US LLP

Boston, Massachusetts
November 25, 2025

New England Conservatory of Music

Statements of Financial Position June 30, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	\$ 4,737,739	\$ 1,025,985
Receivables and other assets	11,626,229	1,266,526
Student accounts, notes and loans receivable, net of allowance for credit losses of \$538,694 for 2025 and \$467,025 for 2024	671,458	1,218,454
Contributions receivable, net	12,399,134	19,649,379
Planned giving assets	2,436,217	2,448,045
Investments, at fair value	195,168,012	164,487,681
Finance lease right-of-use assets, net	690,369	863,351
Cash restricted for investment in property, plant and equipment	1,634,300	2,818,655
Property and equipment, net	87,135,094	96,504,430
Total assets	\$ 316,498,552	\$ 290,282,506
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 6,572,639	\$ 3,746,513
Planned giving liabilities	433,785	465,769
Deposits and advance payments	1,624,534	1,299,188
Finance lease liabilities	529,654	739,570
Government advances for student loans	1,256,053	1,376,155
Long-term debt, net of bond issuance costs	33,628,375	35,587,779
Total liabilities	44,045,040	43,214,974
Commitments and contingencies (Note 19)		
Net assets:		
Without donor restrictions	75,057,222	68,870,288
With donor restrictions	197,396,290	178,197,244
Total net assets	272,453,512	247,067,532
Total liabilities and net assets	\$ 316,498,552	\$ 290,282,506

See notes to financial statements.

New England Conservatory of Music

Statement of Activities

Year Ended June 30, 2025

(With Summarized Information for 2024)

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and other support:				
Tuition and fees, net of student aid of \$22,883,863 for 2025 and \$19,926,061 for 2024	\$ 32,507,523	\$ -	\$ 32,507,523	\$ 29,534,663
Dormitory and dining service	5,220,979	-	5,220,979	4,904,860
Other income	1,983,011	-	1,983,011	1,337,861
Subtotal	39,711,513	-	39,711,513	35,777,384
Gifts and grants:				
Annual fund contributions	3,448,851	-	3,448,851	4,061,079
Other gifts	-	-	-	50,098
Government grants	4,769,620	-	4,769,620	1,210,257
Contributions of nonfinancial assets	39,500	-	39,500	62,500
Net assets released from restrictions—annual fund	680,000	(680,000)	-	-
Net assets released from restrictions	5,540,217	(5,540,217)	-	-
Subtotal	14,478,188	(6,220,217)	8,257,971	5,383,934
Spending rule income used for operations:				
Endowment income made available for operations	7,488,000	-	7,488,000	7,053,642
Total revenues and other support	61,677,701	(6,220,217)	55,457,484	48,214,960
Expenses:				
Faculty salaries and wages	15,489,347	-	15,489,347	14,776,967
Other salaries and wages	16,185,641	-	16,185,641	14,587,644
Employee benefits	6,703,158	-	6,703,158	6,166,218
Supplies and equipment	2,124,826	-	2,124,826	1,865,028
Building operations	3,971,560	-	3,971,560	3,838,842
Interest expense	1,012,440	-	1,012,440	1,016,760
Depreciation and amortization	6,436,680	-	6,436,680	6,423,840
Professional services	4,192,408	-	4,192,408	4,460,418
Other expenses	6,873,074	-	6,873,074	6,001,270
Total expenses	62,989,134	-	62,989,134	59,136,987
Change in net assets from operating activities	(1,311,433)	(6,220,217)	(7,531,650)	(10,922,027)
Nonoperating activities:				
Non-current contributions and grants	127,000	11,828,946	11,955,946	15,400,130
Release from restriction—capital assets placed into service	864,118	(864,118)	-	-
Spending rule income distributed from endowment	(1,002,858)	(6,485,142)	(7,488,000)	(7,053,642)
Investment return, net	2,941,853	21,030,631	23,972,484	16,415,312
Change in value of planned giving net assets	112,612	(91,054)	21,558	321,415
Gain on sale of assets	4,499,500	-	4,499,500	-
Attrition in environmental liability	(43,858)	-	(43,858)	(41,670)
Change in net assets from nonoperating activities	7,498,367	25,419,263	32,917,630	25,041,545
Change in net assets	6,186,934	19,199,046	25,385,980	14,119,518
Net assets—beginning of year	68,870,288	178,197,244	247,067,532	232,948,014
Net assets—end of year	\$ 75,057,222	\$ 197,396,290	\$ 272,453,512	\$ 247,067,532

See notes to financial statements.

New England Conservatory of Music

Statement of Activities Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Tuition and fees, net of student aid of \$19,926,061	\$ 29,534,663	\$ -	\$ 29,534,663
Dormitory and dining service	4,904,860	-	4,904,860
Other income	1,322,553	15,308	1,337,861
Subtotal	35,762,076	15,308	35,777,384
Gifts and grants:			
Annual fund contributions	4,061,079	-	4,061,079
Other gifts	50,098	-	50,098
Government grants	1,210,257	-	1,210,257
Contributions of nonfinancial assets	62,500	-	62,500
Net assets released from restrictions	3,358,858	(3,358,858)	-
Subtotal	8,742,792	(3,358,858)	5,383,934
Spending rule income used for operations:			
Endowment income made available for operations	7,053,642	-	7,053,642
Total revenues and other support	51,558,510	(3,343,550)	48,214,960
Expenses:			
Faculty salaries and wages	14,776,967	-	14,776,967
Other salaries and wages	14,587,644	-	14,587,644
Employee benefits	6,166,218	-	6,166,218
Supplies and equipment	1,865,028	-	1,865,028
Building operations	3,838,842	-	3,838,842
Interest expense	1,016,760	-	1,016,760
Depreciation and amortization	6,423,840	-	6,423,840
Professional services	4,460,418	-	4,460,418
Other expenses	6,001,270	-	6,001,270
Total expenses	59,136,987	-	59,136,987
Change in net assets from operating activities	(7,578,477)	(3,343,550)	(10,922,027)
Nonoperating activities:			
Non-current contributions and grants	-	15,400,130	15,400,130
Release from restriction—capital assets placed into service	626,542	(626,542)	-
Spending rule income distributed from endowment	(1,392,175)	(5,661,467)	(7,053,642)
Investment return, net	2,112,117	14,303,195	16,415,312
Change in value of planned giving net assets	203,182	118,233	321,415
Attrition in environmental liability	(41,670)	-	(41,670)
Change in net assets from nonoperating activities	1,507,996	23,533,549	25,041,545
Change in net assets	(6,070,481)	20,189,999	14,119,518
Net assets—beginning of year	74,940,769	158,007,245	232,948,014
Net assets—end of year	\$ 68,870,288	\$ 178,197,244	\$ 247,067,532

See notes to financial statements.

New England Conservatory of Music

Statements of Cash Flows Years Ended June 30, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 25,385,980	\$ 14,119,518
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Provision for doubtful students accounts, notes and loans receivable	71,669	273,442
Change in contributions receivable discount and allowance	(91,083)	835,721
Depreciation and amortization	6,436,680	6,423,840
Amortization of bond issuance costs	76,766	76,766
Net realized and unrealized gains on investments	(23,972,485)	(16,415,312)
Gain on sale of assets	(4,499,500)	-
Donated property and equipment	(39,500)	(62,500)
Distributions from planned giving assets	1,402	327,393
Change in value of planned giving net assets	(21,558)	(321,415)
Contributions restricted for long-term purposes	(4,024,410)	(9,000,746)
Donated securities restricted for long-term purposes	(5,869,818)	(1,091,594)
Donated securities	(1,750,280)	(960,222)
Proceeds from donated securities	1,750,280	960,222
Attrition in environmental liability	43,858	41,670
Changes in assets and liabilities:		
(Increase) decrease in:		
Receivables and other assets	(359,703)	(69,927)
Student accounts receivable	394,312	(342,841)
Contributions receivable	7,341,328	(8,642,044)
Increase (decrease) in:		
Accounts payable and accrued expenses	2,399,171	660,238
Deposits and advance payments	325,346	153,976
Net cash provided by (used in) operating activities	3,598,455	(13,033,815)
Cash flows from investing activities:		
Additions to property and equipment	(1,958,416)	(2,084,058)
Purchases of investments	(68,674,576)	(99,024,112)
Sales of investments	61,966,730	101,941,250
Change in student notes and loans receivable	81,015	484,019
Net cash (used in) provided by investing activities	(8,585,247)	1,317,099
Cash flows from financing activities:		
Finance lease principal payments	(223,765)	(463,985)
Repayment of long-term debt	(2,036,170)	(1,345,661)
Repayment of government advances for student loans	(120,102)	(467,543)
Contributions restricted for long-term purposes	4,024,410	9,000,746
Donated securities restricted for long-term purposes	5,869,818	1,091,594
Net cash provided by financing activities	7,514,191	7,815,151
Net increase (decrease) in cash and cash equivalents	2,527,399	(3,901,565)
Cash and cash equivalents—beginning of year	3,844,640	7,746,205
Cash and cash equivalents—end of year	\$ 6,372,039	\$ 3,844,640
Supplementary schedule of cash flow information:		
Cash paid for interest	\$ 903,044	\$ 916,080
Supplemental schedules of noncash investing and financing activity:		
Property and equipment included in accounts payable	\$ 383,097	\$ -
Donated property and equipment	\$ 39,500	\$ 62,500
Right-of-use assets acquired with a lease liability	\$ 13,849	\$ 1,135,603
Sale of property and equipment in exchange for a receivable	\$ 10,000,000	\$ -

See notes to financial statements.

New England Conservatory of Music

Notes to Financial Statements

Note 1. Nature of Activities

New England Conservatory of Music (the Conservatory) is a four-year college authorized with degree-granting powers by the Board of Regents of Higher Education of the Commonwealth of Massachusetts. The Conservatory is an accredited member of the New England Commission of Higher Education. Approximately 800 students from across the United States and numerous foreign countries attend the Conservatory, pursuing Bachelor of Music, Master of Music and Doctor of Musical Arts degrees. The Conservatory's residence hall accommodates approximately 250 students. Approximately 2,600 children, teens and adults participate in the New England Conservatory Preparatory School, School of Continuing Education and summer school programs. The Conservatory has a wholly owned subsidiary, Measure for Measure LLC, which had no activity during the years ended June 30, 2025 and 2024.

The Board of Trustees (the Board) is the primary governing body of the Conservatory and has oversight responsibility for all of the Conservatory's financial affairs, as well as other matters.

The Conservatory participates in student financial assistance programs sponsored by the U.S. Department of Education (DOE) and the Commonwealth of Massachusetts that facilitate the payment of tuition and other expenses for certain students.

Note 2. Summary of Significant Accounting Policies

Basis of presentation: The financial statements of the Conservatory have been prepared on the accrual basis of accounting and in accordance with accounting standards set by the Financial Accounting Standards Board (FASB). The FASB defines accounting principles generally accepted in the United States of America (U.S. GAAP) to ensure financial condition, changes in net assets and cash flows are consistently reported. References to U.S. GAAP issued by the FASB in these footnotes are to the FASB Accounting Standards Codification (ASC).

The statements of activities include all of the Conservatory's revenues and expenses as part of operating activities, including endowment income appropriated under the endowment spending policy. Changes in net assets that do not impact current operations are presented as non-operating activities, including non-current contributions and grants (gifts or contributions receivable intended to fund future-year activities), investment return (loss), net, releases from restriction for capital assets placed into service, change in value in planned giving net assets, gain on sale of assets, spending rule income distributed from endowment and attrition in environmental liability.

Net asset classifications: Net assets are classified into two categories, based on the existence or absence of donor-imposed restrictions and applicable law, as follows:

Net assets without donor restrictions: Are not subject to donor-imposed restrictions and are available for use in general operations. This includes amounts available for the Conservatory's operations, financial aid and deferred maintenance. In addition, net assets without donor restrictions include resources without donor restrictions designated by the Board for endowment.

Net assets with donor restrictions: Are subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity (i.e., endowment funds).

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The Conservatory interprets the Massachusetts Uniform Prudent Management of Institutional Funds Act (MA UPMIFA) as requiring the Conservatory to preserve the purchasing power of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. Consistent with MA UPMIFA, the Conservatory is allowed to spend from underwater funds. As a result of this interpretation, the Conservatory has classified as net assets with donor restrictions (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 donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The accumulated earnings or losses on the donor restricted endowment, regarded as “net appreciation,” are classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board in a manner consistent with the Conservatory’s spending policy, MA UPMIFA, other applicable laws and donor-imposed restrictions, if any.

Unconditional promises to give are recognized as contributions receivable and revenue at net present value using a discount rate commensurate with the risk involved within the appropriate net asset category in accordance with donor restrictions. Unconditional promises to give are recorded net of an allowance for doubtful collections. Management estimates the allowance based on review of historical experience and specific review of collections trends that differ from the plan on individual accounts. Donor restricted contributions that are received and expended within the same period are reported as revenue without donor restrictions. Net assets are released from donor restrictions when expenses have been incurred to satisfy their restricted purpose or time period related to inherent time restriction has passed.

Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized as revenue until the conditions on which they depend are met. At June 30, 2025, the Conservatory has a \$4,000,000 conditional promise to give which includes certain matching requirements. At June 30, 2024, the Conservatory had a conditional grant of \$4,474,181 which was conditioned on certain performance barriers which were met during the year ended June 30, 2025.

Revenues from sources other than contributions or grants are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Endowment investments: The Conservatory has adopted investment and spending policies for endowment assets that are intended to earn equity-like returns and reduce long-term volatility. Endowment investment assets include donor-restricted funds that the Conservatory must hold in perpetuity or for donor-specified periods, appreciation on these assets and funds internally designated by the Board for endowment.

To satisfy its long-term rate-of-return objectives, the Conservatory 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 Conservatory targets a diversified asset allocation that places emphasis on investments in equities, fixed income and alternative investments to achieve its objections within prudent risk constraints.

The asset allocation of the Conservatory’s portfolio involves exposure to a diverse set of markets. The investments within these markets carry various risks, such as interest rate, market, sovereign, currency, liquidity and credit risk. The Conservatory anticipates that the value of its investments may, from time to time, fluctuate as a result of these risks.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The Conservatory's Board-approved investment policy and spending policy attempt to provide a predictable stream of available income, thereby making funds available to programs that are supported by the endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. The endowment assets are, therefore, invested in a manner that is intended to generate returns that meet or exceed the spending rate after inflation, management fees and administrative costs over a long period of time. Actual returns may vary in any given year.

Spending policy: Annually the Board approves the endowment spending rate for the following fiscal year, stated as a percentage of the trailing 12-quarter average endowment market value. The spending rate reflects expectations regarding long-term returns, inflation and the Conservatory's ongoing spending needs. The spending policy does not prohibit spending from underwater endowment funds if it is necessary, although it has been management's practice not to do so. The Board-approved spending rate was 5.00% for fiscal 2025 and 2024.

To satisfy its long-term rate-of-return objectives, the Conservatory relies on a total return strategy in which investment returns are achieved through a combination of capital appreciation (both realized and unrealized) and actual investment income (interest and dividends). As a result of this emphasis on total return, the amount of the investment income availed per the spending policy that is funded by dividend and interest income versus capital appreciation may vary from year to year.

Cash and cash equivalents: Cash equivalents include short-term, highly liquid working capital investments with original maturities when purchased of three months or less. Cash is held at several institutions; at times, however, the cash balance maintained at a single institution may exceed federally insured limits. The Conservatory has not experienced any losses in these accounts. The Conservatory believes it is not exposed to any significant credit risk on cash and cash equivalents.

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2025	2024
Cash and cash equivalents	\$ 4,737,739	\$ 1,025,985
Restricted cash	1,634,300	2,818,655
	<u>\$ 6,372,039</u>	<u>\$ 3,844,640</u>

Student accounts, notes and loans receivable: Student accounts, notes and loans receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The Conservatory separates accounts, notes and loans receivable into risk pools based on their aging. In determining the amount of the allowance as of the statements of financial position date, the Conservatory develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. Student accounts, notes and loans receivable are not collateralized.

An account is considered uncollectible when all efforts to collect the account have been exhausted. Loan balances are written off only when they are deemed to be permanently uncollectible. Federal Perkins loans that are deemed to be permanently uncollectible are generally assigned to the Federal government.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: Fair value is defined as the exit price that would be received to sell an asset or paid to transfer a liability on the measurement date, in the principal or most advantageous market for the asset or liability, and in an orderly transaction between market participants. A hierarchy exists that is based upon the inputs used to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or are based upon inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

The Conservatory uses the net asset value (NAV) as a practical expedient to determine the fair value of investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of input that is significant to its fair value measurement.

The fair value of the Conservatory's investments is discussed in Note 7. Other assets and liabilities are measured at fair value as follows:

Contributions receivable are initially measured at fair value using Level 2 inputs. Any multi-year contributions receivable is recorded at the present value of future cash flows with a discount rate adjusted for market conditions and the risk involved.

Charitable remainder, charitable lead and perpetual trusts are invested and held in custody by outside entities acting as trustees of the assets and gift vehicles. All such trust balances are measured at fair value on a recurring basis using Level 3 inputs. The assets are recorded at the present value of the anticipated interests in each trust using actuarial assumptions and a discount rate adjusted for market conditions. The Conservatory owns an interest in the trust and not the underlying investments.

Charitable gift annuity and life income fund assets are measured at fair value on a recurring basis using Level 1 inputs. Mutual funds are measured based on quoted market prices.

Liabilities for charitable gift annuities and life income funds payable are measured on a non-recurring basis using Level 2 inputs. These instruments are initially recorded at the present value of future cash flows using a discount rate adjusted for market conditions to arrive at fair value.

Derivatives: The Conservatory employs certain derivative financial instruments to replicate asset positions more cost effectively than through purchases and sales of the underlying assets. As a result of entering into investment derivative agreements, the Conservatory is subject to market volatility consistent with the underlying asset classes. The Conservatory has established policies governing the use of derivatives.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of the FCM's insolvency, recovery may be limited to the Conservatory's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. Cash collateral and certain securities owned by the Conservatory were held at counterparty brokers to collateralize these positions and are included in investments on the statements of financial position. The notional value of the outstanding derivative contracts at June 30, 2025 and 2024 was \$25,576,663 and \$12,447,785, respectively. The associated unrealized gain (loss) on these derivatives at June 30, 2025 and 2024 was \$112,789 and \$(50,991), respectively. The notional amount of these derivatives is not recorded on the Conservatory's financial statements.

Planned giving: The Conservatory is the beneficiary of certain charitable remainder trusts, gift annuities and a pooled gift income fund for which the principal reverts to the Conservatory upon the death of the donors or other beneficiaries, as well as certain perpetual trusts that provide an ongoing income stream to the Conservatory. Charitable remainder trusts held by third-party trustees have been recorded at the fair value of the net assets contributed by the donor, net of an adjustment for the estimated life expectancies of the beneficiaries, the terms of the agreements, the expected return on the invested assets and a discount rate that is intended to approximate fair value. Liabilities due to donors under gift annuities and pooled income trusts are discounted based on the estimated life expectancies of the beneficiaries. Perpetual trusts held by third-party trustees have been recorded at the fair value of the underlying assets held in trust, adjusted for the Conservatory's proportionate share of ongoing distributions from each trust.

Property and equipment: Property and equipment are recorded at cost as of the date of acquisition or, in the absence of historical cost records, at a historically based appraised value. Donated property and equipment are recorded at their estimated fair value on the date of receipt. The Conservatory capitalizes all expenditures over \$5,000 with a useful life of greater than one year. Expenditures for maintenance and repairs are charged to expense as incurred; betterments are capitalized. When assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts, and any resulting gain or loss is credited or charged to nonoperating activities. Depreciation expense is recognized on a straight-line basis over the estimated useful lives of buildings and building improvements (five to 45 years), furnishings (10 to 20 years), instruments (10 to 30 years) and equipment (three to 15 years).

Impairment of long-lived assets: The Conservatory reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management assesses the recoverability of long-lived assets by comparing the estimated undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets. During the years ended June 30, 2025 and 2024, no impairment indicators were identified.

Leasing: The Conservatory determines if an arrangement is a lease at inception. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. Lease right-of-use (ROU) assets represents the Conservatory's right to use an underlying asset for the lease term. Lease liabilities represent the Conservatory's liability to make lease payments arising from the lease. Operating and finance lease ROU assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate discount rate. The Conservatory elected the private company alternative to use the risk-free rate in determining the present value of lease payments.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Government advances for student loans: Government advances for student loans represent funds held by the Conservatory that were provided by the DOE under the Federal Perkins revolving loan program. The Perkins Loan Program expired September 30, 2017, and the Conservatory could not disburse Perkins loans to any student on or after October 1, 2017.

Revenue recognition: The Conservatory follows Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The five-step model defined by ASC Topic 606 requires the Conservatory to: (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

The Conservatory has identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services and other academic related services, and uses the output measure for recognition as the period of time over which the services are provided.

Tuition revenue and discounts: Tuition and fees revenue is substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as academic programs are delivered. Institutional financial aid and scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely may receive a full or partial refund in accordance with the Conservatory's refund policy. Refunds issued reduce the amount of revenue recognized. Students are responsible for paying all charges in full or for making arrangements for monthly payments by due dates published by the Conservatory. Accounts and notes receivable from students from services provided from contracts are disclosed in Note 4. Payments received prior to the start of an academic period and the portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2025 and 2024, which totaled \$1,344,153 and \$1,299,188, respectively, is treated as a contract liability and reported as deferred revenue, to be recognized as revenue over the academic period as services are rendered in the next fiscal year. Deferred revenue of \$1,145,212 at June 30, 2023, was recognized as revenue during the year ended June 30, 2024. The beginning of year student accounts receivable balances for the years ended June 30, 2025 and 2024 was \$755,909 and \$686,510, respectively, (see Note 4 for ending balances). Discounts provided to employees are considered part of fringe benefits within operating expenses.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

The composition of tuition and fees based on degree programs for the years ended June 30, are as follows:

	2025	2024
Undergraduate (net of financial aid and scholarships of \$10,181,436 and \$9,050,260 in 2025 and 2024, respectively)	\$ 13,709,824	\$ 12,839,793
Graduate (net of financial aid and scholarships of \$11,952,120 and \$10,286,994 in 2025 and 2024, respectively)	12,914,292	12,146,265
Non-degree programs (net of financial aid and scholarships of \$750,307 and \$588,807 in 2025 and 2024, respectively)	5,883,407	4,548,605
	<u>\$ 32,507,523</u>	<u>\$ 29,534,663</u>

Dormitory and dining service and other income: These consist principally of goods and services to the campus community, including dining facilities, residence halls, banquet operations, facility rentals and other miscellaneous fees such as print shop services. Charges to students for campus dormitory and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered.

Grants: Individual grant arrangements are evaluated. If determined to be nonreciprocal, meaning, the granting entity has not received a direct benefit in exchange for the resources provided, revenue is recognized like a conditional contribution—when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable, and all other significant conditions of the grant are met. The Conservatory has elected the simultaneous release policy, which allows the Conservatory to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Collections: The Conservatory maintains collections of historical instruments, art, vocal scores, recordings and literary works. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, these collections are not capitalized for financial statement purposes. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset class. Proceeds from deaccessions can be used to acquire new items or used as direct care for existing items already in possession. Direct care is defined as costs incurred that enhance the life, usefulness or quality of the Conservatory's collections.

Tax-exempt status and tax positions: The Conservatory is an organization described under Internal Revenue Code (IRC) Section 501(c)(3) and is generally exempt from income taxes under the provisions of IRC Section 501(a).

The Conservatory recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. Tax positions for the open tax years as of June 30, 2025, were reviewed, and it was determined that no provision for uncertain tax positions was required as of June 30, 2025 or 2024. Management believes that the Conservatory's federal and state returns are generally open for examination for three years following the date filed.

New England Conservatory of Music

Notes to Financial Statements

Note 2. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Estimates include allowances for credits losses on student accounts, notes and loans receivable; allowance for doubtful accounts on contributions receivable, the fair value of investments and related unrealized gains (losses); the net realizable fair value of contributions receivable and planned gifts; the estimated value of gifts in kind; the asset retirement obligation; depreciable lives for property and equipment; annuity and pooled income obligations and the allocation of expenses to functional categories.

Liquidity: In order to provide information about liquidity, assets are sequenced according to the timing of their conversion to cash and liabilities according to the nearness of their estimated maturity.

Advertising: The Conservatory expenses advertising costs as incurred. Total advertising expense during the years ended June 30, 2025 and 2024 was \$513,370 and \$95,166, respectively.

Related party transactions: The Conservatory has a conflict of interest policy, which requires that each trustee, officer and senior executive shall disclose to the Board at least once each year all the material facts concerning his or her relationship with or interest in any person, firm, corporation or other entity with whom the Conservatory has, or proposes to enter into, any contract or other transaction which may, directly or indirectly, result in financial gain or other advantage to such trustee, officer or senior executive by reason of such relationship or interest.

Recently issued accounting pronouncement: In July 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*, that introduces a practical expedient and for entities other than public business entities, an accounting policy election to simplify the application of Topic 326, *Financial Instruments—Credit Losses*, to current accounts receivable and current contract assets. The ASU allows an entity to assume that current conditions as of the balance sheet date remain unchanged over the remaining life of an asset in developing reasonable and supportable forecasts as part of estimating expected credit losses. This removes the requirement to incorporate macroeconomic forecasts for assets within the scope of the ASU. Provided that the practical expedient is elected, this policy election also permits eligible entities to consider post-balance sheet collection activity when estimating expected credit losses. The amendments in the ASU are effective for annual periods beginning after December 15, 2025, including interim periods within those annual periods. The Conservatory is currently evaluating the impact of this new guidance on its financial statements.

Subsequent events: The Conservatory has evaluated subsequent events through November 25, 2025, the date on which the financial statements were available to be issued.

Note 3. Liquidity

Resources available to the Conservatory to fund general expenditures, as defined by the Conservatory to include operating expenses, interest and principal payments on debt and internally funded capital projects have seasonal variation based on the timing of tuition and fees billings/collections, receipt of gifts and pledge payments and transfers from the endowment. The Conservatory actively manages its resources using a combination of short- and long-term operating investment strategies to align its cash inflows with anticipated outflows in accordance with policies approved by the Board.

New England Conservatory of Music

Notes to Financial Statements

Note 3. Liquidity (Continued)

At June 30, existing financial assets and liquidity resources available within one year were as follows:

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 4,747,039	\$ -
Receivables and other assets	730,963	481,023
Student accounts receivable	289,927	530,194
Contributions receivable due within one year	2,072,929	734,858
Board-appropriated endowment spending	7,761,000	7,375,000
Subtotal	15,601,858	9,121,075
Liquidity resources:		
Line of credit	10,000,000	10,000,000
Total financial assets and liquidity resources available within one year	<u>\$ 25,601,858</u>	<u>\$ 19,121,075</u>

The contributions receivable above includes only those for which the time or purpose restrictions will be satisfied within one year. In addition to the resources identified above, the Conservatory had approximately \$23.1 million and \$21.1 million of Board-designated funds in fiscal 2025 and 2024, respectively, of which it is estimated that approximately \$20.4 million and \$18.3 million can be liquidated within one year of fiscal 2025 and 2024, respectively. Refer to Note 7 for more information regarding the liquidity of certain investments. Additionally, within one year, the Conservatory will generate net tuition and fees and dormitory and dining service revenues that will be available to fund current year operations.

Note 4. Student Accounts, Notes and Loan Receivable

Student accounts and notes and loans receivable were as follows at June 30:

	2025	2024
Student accounts receivable, net of allowances for doubtful accounts of \$467,403 and \$395,734 in 2025 and 2024, respectively	\$ 289,928	\$ 755,909
Student notes and loans receivable, net of allowances for doubtful accounts of \$71,291 in 2025 and 2024	381,530	462,545
	<u>\$ 671,458</u>	<u>\$ 1,218,454</u>

At June 30, Federal student loans consisted of the following:

	2025	2024
Federal government program	\$ 452,821	\$ 533,836
Less allowance for doubtful accounts:		
Beginning of year	(71,291)	(71,291)
(Increase) decrease	-	-
End of year	(71,291)	(71,291)
Federal student loans receivable, net	<u>\$ 381,530</u>	<u>\$ 462,545</u>

New England Conservatory of Music

Notes to Financial Statements

Note 4. Student Accounts, Notes and Loan Receivable (Continued)

The Conservatory participates in the Perkins federal revolving loan program (the program). Funds advanced by the Federal government are ultimately refundable to the government and are classified as a liability in the statements of financial position. The government began collecting the federal share of the revolving loan funds annually after October 1, 2018. During 2025, due to excess capital in the program, \$191,646 was withdrawn from the program, of which \$51,795 was returned to the Conservatory and \$139,851 was returned to the government and decreased the liability. During 2024, due to excess capital in the program, \$209,933 was withdrawn from the program, of which \$56,296 was returned to the Conservatory and \$153,637 was returned to the government and decreased the liability. The liability for funds advanced by the Federal government was \$1,256,053 and \$1,376,155 as of June 30, 2025 and 2024, respectively.

At June 30, the following amounts were past due under student loan programs:

	1-60 Days Past Due	61-90 Days Past Due	91+ Days Past Due	Total Past Due
2025	\$ 367	\$ -	\$ 80,230	\$ 80,597
2024	\$ 1,263	\$ -	\$ 124,404	\$ 125,667

Note 5. Contributions Receivable, Net

Contributions receivable consisted of the following at June 30:

	2025	2024
Due within one year	\$ 3,348,106	\$ 6,766,217
Due within two to five years	10,410,950	14,334,167
	13,759,056	21,100,384
Less:		
Present value discount	(1,109,470)	(1,312,112)
Allowance for uncollectible contributions receivable	(250,452)	(138,893)
	\$ 12,399,134	\$ 19,649,379

Contributions receivable are discounted at rates ranging from 4.68% to 5.87%. As of June 30, 2025 and 2024, two donors constitute 65% and 53%, respectively, of gross pledges.

New England Conservatory of Music

Notes to Financial Statements

Note 6. Planned Giving

Planned giving net assets consisted of the following as of June 30:

	2025	2024
Planned giving assets:		
Charitable remainder trusts	\$ 399,271	\$ 532,158
Charitable lead trusts	58,835	61,856
Charitable gift annuities	1,438,256	1,343,690
Perpetual trusts	539,855	510,341
Total planned giving assets	2,436,217	2,448,045
Planned giving liabilities:		
Amounts due to beneficiaries	(433,785)	(465,769)
Total planned giving net assets	\$ 2,002,432	\$ 1,982,276

Charitable gift annuities and amounts due to beneficiaries are discounted at rates ranging from 0.6% to 6.0%.

As discussed in Note 2, charitable remainder, charitable lead and perpetual trust assets managed by third-party trustees are presented at fair value based upon Level 3 inputs. There were no purchases or issuances or transfers into or out of Level 3 assets.

The following table presents quantitative information about significant unobservable inputs used in Level 3 fair value measurements at June 30:

	Fair Value		Valuation Technique	Unobservable Input	Range (Weighted Average)
	2025	2024			
Beneficial interest in perpetual trusts	\$ 539,855	\$ 510,341	Market approach on underlying securities	None	N/A
Beneficial interest in charitable remainder trusts	399,271	532,158	Income approach discounted cash flow and present value techniques	Discount rate	2.2%-9.6% (8.35%)
				Rate of return	6.0%-7.5% (6.27%)
				Life expectancy	3.5 years-7.6 years (4.50 years)
Beneficial interest in charitable lead annuity trusts	58,835	61,856	Income approach discounted cash flow and present value techniques	Discount rate	3.20% (3.2%)
	\$ 997,961	\$ 1,104,355			

New England Conservatory of Music

Notes to Financial Statements

Note 7. Investments

The Conservatory's alternative investments consist of various funds involving venture capital and alternative strategies that are valued using external investment managers' current estimates of fair value in the absence of publicly quoted market prices. The alternative investment strategies use a valuation methodology based on the NAV provided by the fund manager as a practical expedient. Some of these funds may employ derivative investment strategies. In estimating fair values, the investment managers also consider variables, such as earnings multiples, cash flow projections, recent equity sales prices and other pertinent information. Because of inherent uncertainties in the valuation process, the investment managers' estimates may differ from the values that would have been used had a ready market existed. Conservatory management has implemented policies and procedures to assess the reasonableness of the fair values provided and believe that the reported fair values in the statements of financial position are reasonable.

Investments for which values are based on quoted market prices in active markets are classified as Level 1. These investments are primarily money market funds and U.S. treasuries.

The following tables summarize the investment assets that the Conservatory measures at fair value on a recurring basis at June 30:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Measured at NAV (a)	Total
2025					
Pooled:					
Fixed-income mutual funds	\$ 16,333,472	\$ -	\$ -	\$ -	\$ 16,333,472
Cash and cash equivalents (b)	9,317,717	-	-	-	9,317,717
Alternative investment strategies	-	-	-	169,443,084	169,443,084
	25,651,189	-	-	169,443,084	195,094,273
Nonpooled:					
Fixed-income mutual funds	73,739	-	-	-	73,739
	<u>\$ 25,724,928</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,443,084</u>	<u>\$ 195,168,012</u>
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Investments Measured at NAV (a)	Total
2024					
Pooled:					
Fixed-income mutual funds	\$ 14,856,355	\$ -	\$ -	\$ -	\$ 14,856,355
Cash and cash equivalents (b)	5,265,853	-	-	-	5,265,853
Alternative investment strategies	-	-	-	144,295,282	144,295,282
	20,122,208	-	-	144,295,282	164,417,490
Nonpooled:					
Fixed-income mutual funds	70,191	-	-	-	70,191
	<u>\$ 20,192,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,295,282</u>	<u>\$ 164,487,681</u>

(a) In accordance with ASC Subtopic 820-10, Fair Value Measurements, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy amounts to amounts presented in the statements of financial position.

(b) \$0 and \$721,709 of cash at June 30, 2025 and 2024, respectively, not fair valued but included in total for purpose of reconciliation.

New England Conservatory of Music

Notes to Financial Statements

Note 7. Investments (Continued)

At June 30, 2025 and 2024, the Conservatory's alternative investment strategies represented 87% and 88% of total pooled investments, respectively. At June 30, 2025 and 2024, there are 49 and 48 alternative strategy managers, respectively, with a mix of approaches and low correlations in order to provide diversification benefits to the investment pool. The remainder of the pooled investments provide sufficient liquidity, as it is comprised of investments that are readily marketable.

The following tables list investments in investment companies by major category valued at NAV at June 30:

2025 Investments	Fair Value	Unfunded Commitments
Hedge funds (a)	\$ 37,394,299	\$ -
Commodities funds (b)	7,844	-
Private equity funds (c)	26,440,803	27,775,191
International funds (d)	53,020,679	-
Domestic equity funds (e)	39,020,398	-
Real estate funds (f)	3,894,050	4,449,127
Fixed income funds (g)	9,665,011	410,571
	<u>\$ 169,443,084</u>	<u>\$ 32,634,889</u>

2024 Investments	Fair Value	Unfunded Commitments
Hedge funds (a)	\$ 31,589,576	\$ -
Commodities funds (b)	8,848	-
Private equity funds (c)	21,036,879	23,978,510
International funds (d)	46,454,178	-
Domestic equity funds (e)	32,991,778	-
Real estate funds (f)	3,512,139	2,393,350
Fixed income funds (g)	8,701,884	401,500
	<u>\$ 144,295,282</u>	<u>\$ 26,773,360</u>

- (a) This class includes investments in hedge funds that invest in a diversified mix of equities and fixed income instruments.
- (b) This class includes a fund that invests in various public and private companies focused on precious metals, base metals, energy and agriculture.
- (c) This class includes several private equity funds that invest primarily in various venture and non-venture companies, as well as various fixed income and mortgage-backed securities. Distributions are made by liquidating the underlying assets of the funds. However, certain holdings (but not all holdings) cannot be redeemed from the funds.
- (d) This class includes investments in funds that invest primarily in non-U.S. issued equity, debt and derivative securities.
- (e) This class includes investments in domestic equity securities as well as options on such securities and certain stock indices.

New England Conservatory of Music

Notes to Financial Statements

Note 7. Investments (Continued)

- (f) This class includes investment in funds that invest primarily in real estate investments.
- (g) This class includes investments in funds that invest primarily in fixed income investments, including public and private debt securities and mortgage related securities.

At June 30, the Conservatory's access to the alternative strategy portion of the investment portfolio was as follows:

	2025	2024
Less than 30 days	\$ 95,703,068	\$ 79,445,956
Greater than 30 days to less than one year	51,482,583	45,571,628
One year or greater	22,257,433	19,277,698
	<u>\$ 169,443,084</u>	<u>\$ 144,295,282</u>

Note 8. Property and Equipment

Property and equipment consisted of the following at June 30:

	2025	2024
Buildings and improvements	\$ 138,738,648	\$ 137,924,691
Furnishings, instruments and equipment	23,566,086	27,626,176
	<u>162,304,734</u>	<u>165,550,867</u>
Less accumulated depreciation	(78,137,957)	(71,898,839)
	<u>84,166,777</u>	<u>93,652,028</u>
Land	1,269,497	1,269,497
Construction in progress	1,698,820	1,582,905
	<u>\$ 87,135,094</u>	<u>\$ 96,504,430</u>

At June 30, 2025 and 2024, the construction in progress consisted of building improvements and costs related to software development. At June 30, 2024, the construction in progress also includes costs related to the new website. The website was completed in the summer of 2024. The software development is expected to be completed in the fall of 2025 with approximately \$1,085,180 additional costs to complete.

Depreciation expense for the years ended June 30, 2025 and 2024, was \$6,249,849 and \$6,084,771, respectively.

The Conservatory follows FASB ASC 410, Asset Retirement and Environmental Obligations. This standard requires that a liability be recorded for the fair value of the conditional asset retirement obligation. The recording of a liability is required if the fair value of the obligation can be reasonably estimated. The Conservatory recorded a change in environmental liability associated with its asset retirement obligation of \$43,858 and \$41,670 in fiscal 2025 and 2024, respectively. This liability relates to certain materials used in the construction or operation of buildings and equipment that are fully depreciated; therefore, no adjustment was made to the cost of the assets. The asset retirement obligation of \$909,605 and \$865,747 as of June 30, 2025 and 2024, respectively, is discounted to its net present value and is included in accounts payable and accrued expenses in the statements of financial position.

New England Conservatory of Music

Notes to Financial Statements

Note 9. Leases

The Conservatory has entered into lease agreements for office printers, copy room equipment and IT equipment with terms through 2030. The present value of the lease payments is recorded as a lease liability with a corresponding ROU asset. The weighted-average discount rate at June 30, 2025 and 2024, was 3.83% and 5.17%, and the weighted-average remaining lease term is 2.6 and 3.6 years, respectively. The ROU assets are amortized on a straight-line basis and is presented with depreciation and amortization on the accompanying statements of activities. Amortization expense for the years ended June 30, 2025 and 2024, was \$186,831 and \$339,069, respectively.

Interest costs recognized for the fiscal year is equal to the accretion of the lease liability and is presented with interest expense on the accompanying statements of activities. Finance lease interest costs for the years ended June 30, 2025 and 2024, was \$37,013 and \$40,706, respectively.

As of June 30, 2025 and 2024, the aggregate carrying amount of the Conservatory's lease liability is \$529,654 and \$739,570, respectively, and the aggregate carrying amount of the ROU asset is \$690,369 and \$863,351, respectively.

Aggregate future maturities of lease liabilities were as follows:

2026	\$	232,439
2027		232,439
2028		86,100
2029		6,318
2030		2,151
Total minimum lease payments		559,447
Less interest		(29,793)
Present value of lease liabilities	\$	<u>529,654</u>

For fiscal year 2025, the Conservatory leased five beds in its residence hall to a higher education institution for a fee of \$93,372. In March 2025, the Conservatory entered into a lease agreement of 39 beds with the institution for the following three-year period, beginning in fiscal 2026. The initial year lease payment is \$827,400, with rates for the following years increased by the CPI-U plus 1%.

Note 10. Line of Credit

The Conservatory has a \$10 million line of credit with a bank, effective March 19, 2021, which had an expiration date of October 1, 2024. On October 1, 2024, the line of credit was amended to modify the terms to a demand note which is payable on demand by the bank or upon an event of default. The line is secured by gross tuition receipts and liens on certain property (see Note 11).

The interest rate is Secured Overnight Financing Rate plus 1.61%. The interest rates were 6.06% and 6.95% as of June 30, 2025 and 2024, respectively. As of June 30, 2025 and 2024, there was no balance outstanding on the line of credit. There was no line of credit interest expense in fiscal 2025 and 2024.

Note 11. Long-Term Debt

On June 30, 2014, \$23,685,000 of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Series 2014 (the Series 2014 Bonds), were issued, and proceeds thereof were loaned to the Conservatory via a private placement with a bank. The Series 2014 Bonds were issued to legally defease MDFA Revenue Bonds, Series 2008, which had funded a deferred maintenance project for the Conservatory's facilities, via an advance refunding. The Series 2014 Bonds will mature on June 1, 2038.

New England Conservatory of Music

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

On November 17, 2015, \$16,050,000 of MDFA Revenue Bonds, Series 2015 (the Series 2015 Bonds), were issued, and proceeds thereof were loaned to the Conservatory to fund construction of the Student Life and Performance Center via a private placement with a bank. The Series 2015 Bonds are being amortized over 30 years, but will mature on November 1, 2038, at which point \$5,452,211 of the bonds will be outstanding and due on the maturity date.

On March 9, 2016, \$2,595,000 of the Series 2014 Bonds were remediated in connection with the sale of 295 Huntington Avenue (the Remediated Bonds). The Remediated Bonds were repurposed to fund the Student Life and Performance Center project. All other terms of the Remediated Bonds remain the same as those for the Series 2014 Bonds.

The Series 2014 Bonds and the Series 2015 Bonds (the Bonds) bear interest at a fixed rate of 2.34%. Principal and interest on the Bonds is payable monthly.

On March 19, 2021, the Conservatory entered into a \$7,500,000 Term Note (2021 Term Note) with a bank to support operating cash flows. The note bears interest at a fixed rate of 3.13%, payable monthly, commencing April 1, 2021. Commencing on April 1, 2024, principal and interest payments in the amount of \$62,707 are payable monthly through maturity. The 2021 Term Note will mature on March 1, 2036.

The Bonds, the 2021 Term Note and line of credit (see Note 10) are secured by gross tuition receipts of the Conservatory and mortgage liens on its 241 St. Botolph Street and 33 Gainsborough Street buildings. The bond agreements provide for certain covenants, including an aggregate expendable funds ratio and a debt service coverage ratio.

Bond issuance costs are presented with debt payable on the accompanying statements of financial position, and its related amortization expense is presented with interest expense on the accompanying statements of activities. Amortization expense for the years ended June 30, 2025 and 2024, was \$76,766, and is included in interest expense on the statements of activities. Future amortization expense will amount to \$76,766 annually for the duration of the life of the bonds.

See below for the components of bond payable, net of unamortized bond issuance costs at June 30:

	2025	2024
Bonds payable	\$ 34,626,332	\$ 36,662,502
Bond issuance costs, unamortized	(997,957)	(1,074,723)
	<u>\$ 33,628,375</u>	<u>\$ 35,587,779</u>

Aggregate future maturities of the bonds payable are payable monthly as follows:

2026	\$ 1,976,221
2027	2,030,416
2028	2,099,244
2029	2,156,331
2030	2,238,132
Thereafter	24,125,988
	<u>\$ 34,626,332</u>

Bond-related interest of \$898,661 and \$976,054 was recognized as expense in fiscal 2025 and 2024, respectively.

New England Conservatory of Music

Notes to Financial Statements

Note 12. Endowment

The Conservatory's endowment consists of approximately 350 and 330 individual funds established for a variety of purposes as of June 30, 2025 and 2024, respectively. The endowment includes donor-restricted endowment funds and funds designated by the Board to function as quasi-endowments. Net assets associated with endowment funds, including internally designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the "historic dollar value." Deficiencies of this nature are recorded in net assets with donor restrictions. No deficiencies were noted as of June 30, 2025 and 2024.

Endowment net assets consisted of the following fund types as of June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
2025			
Donor-restricted endowment funds	\$ -	\$172,082,380	\$172,082,380
Board-designated endowment funds	23,085,632	-	23,085,632
	<u>\$ 23,085,632</u>	<u>\$172,082,380</u>	<u>\$195,168,012</u>
	Without Donor Restrictions	With Donor Restrictions	Total
2024			
Donor-restricted endowment funds	\$ -	\$143,346,474	\$143,346,474
Board-designated endowment funds	21,141,207	-	21,141,207
	<u>\$ 21,141,207</u>	<u>\$143,346,474</u>	<u>\$164,487,681</u>

The changes in endowment net assets for the year ended June 30, 2025, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 21,141,207	\$143,346,474	\$164,487,681
Investment return, net	2,941,853	21,030,631	23,972,484
Additions	5,430	14,190,417	14,195,847
Endowment income made available for operations	(1,002,858)	(6,485,142)	(7,488,000)
Endowment net assets, end of year	<u>\$ 23,085,632</u>	<u>\$172,082,380</u>	<u>\$195,168,012</u>

The changes in endowment net assets for the year ended June 30, 2024, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 19,455,857	\$131,533,650	\$150,989,507
Investment return, net	2,112,117	14,303,195	16,415,312
Additions	965,408	3,171,096	4,136,504
Endowment income made available for operations	(1,392,175)	(5,661,467)	(7,053,642)
Endowment net assets, end of year	<u>\$ 21,141,207</u>	<u>\$143,346,474</u>	<u>\$164,487,681</u>

New England Conservatory of Music

Notes to Financial Statements

Note 13. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2025	2024
Subject to expenditure for the following purposes:		
Financial aid	\$ 1,351,991	\$ 2,075,792
Capital	1,634,300	2,818,655
Operations	3,528,049	3,327,589
Subtotal	6,514,340	8,222,036
Subject to the passage of time:		
Planned gifts, net of amount due to beneficiaries	288,956	130,542
Contributions receivable	9,376,207	12,715,945
Subtotal	9,665,163	12,846,487
Subject to the Conservatory's spending policy and appropriation:		
Faculty salaries	17,879,127	16,395,558
Financial aid	95,853,477	79,423,346
Operations	58,349,776	47,527,570
Subtotal	172,082,380	143,346,474
Not subject to spending policy or appropriations:		
Assets held for long-term use	375,000	5,875,000
Beneficial interest in perpetual trusts	539,855	510,341
Contributions receivable to donor restricted endowment	2,895,927	6,933,434
Other receivables	5,000,000	-
Other planned gifts to donor restricted endowment	323,625	463,472
Subtotal	9,134,407	13,782,247
Total net assets with donor restrictions	\$197,396,290	\$178,197,244

The total historic dollar value of the donor restricted endowment funds which are to be held in perpetuity were \$108,142,003 and \$94,641,482 as of June 30, 2025 and 2024, respectively.

On February 7, 2025, the Conservatory sold its Joachim-Ma Stradivarius violin which was classified as an asset held for appreciation as of June 30, 2024. The violin had a book value of \$5,500,000. The Conservatory received \$10,000,000 from the sale, resulting in a net gain of approximately \$4,500,000. The proceeds from this sale are included in receivables and other assets on the statement of financial position as of June 30, 2025. With the proceeds from the sale, the Conservatory will establish an endowed fund for student scholarships.

New England Conservatory of Music

Notes to Financial Statements

Note 13. Net Assets (Continued)

The Conservatory's Board has designated certain net assets without donor restrictions for the following purposes at June 30:

	2025	2024
Endowment:		
Financial aid	\$ 6,847,679	\$ 6,279,474
Operations	16,237,953	14,861,733
	23,085,632	21,141,207
Other receivable—designated for financial aid endowment	4,700,000	-
Total board-designated net assets	<u>\$ 27,785,632</u>	<u>\$ 21,141,207</u>

As of June 30, 2025 and 2024, approximately \$142,000 and \$4,380,000, respectively, was due from the board-designated endowment to operations to cover net assets that are restricted by donors.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of the passage of time, or other events specified by donors as follows for the years ended June 30:

	2025	2024
Satisfaction of purpose restrictions	\$ 5,540,217	\$ 3,358,858
Satisfaction of time restrictions—annual fund	680,000	-
Total operating net assets released from restrictions	6,220,217	3,358,858
Satisfaction of restrictions—capital assets placed in service	864,118	626,542
Total non-operating net assets released from restrictions	864,118	626,542
Total net assets released from restrictions	<u>\$ 7,084,335</u>	<u>\$ 3,985,400</u>

Note 14. Retirement Plan

The Conservatory participates in a defined contribution plan that covers substantially all employees and is administered by Fidelity, TIAA-CREF and the Variable Life Insurance Annuity Association. Eligible employees may elect to make retirement savings contributions to the Plan, which are matched by the Conservatory for full-time employees up to 5% of employee compensation. Employee benefits costs associated with this plan amounted to \$1,011,533 and \$919,677 during the years ended June 30, 2025 and 2024, respectively.

Note 15. Deferred Compensation Plan

The Conservatory has a non-qualified deferred compensation plan organized under section 457(b) of the Internal Revenue Code for a select group of management. This plan allows participants to defer a portion of their compensation until after employment termination. Deferred amounts are invested at the direction of the participant via a third-party custodian and are included in receivables and other assets along with a corresponding liability that is recorded in accounts payable and accrued expenses reflecting the obligation to the employees. The assets are invested in Level 1 investments. The total amount of deferred compensation included in the assets and liabilities of the Conservatory was \$612,913 and \$473,428 at June 30, 2025 and 2024, respectively.

New England Conservatory of Music

Notes to Financial Statements

Note 16. Functional and Natural Classification of Expenses

Salaries and benefits have been allocated among the programs and supporting services based on the relative effort exerted for the related functions. Expenses associated with information technology services and property and equipment, including interest, depreciation and operations and maintenance expenses, are allocated primarily on the basis of square footage utilized for each of the functional categories.

Expenses by functional and natural classification for the year ended June 30, 2025, was as follows:

	Instruction	Academic Support	Student Services	Fundraising	Administration	Auxiliary	Total Expenses
Salaries and wages	\$ 19,334,814	\$ 2,302,906	\$ 2,900,914	\$ 1,873,960	\$ 4,750,643	\$ 511,751	\$ 31,674,988
Employee benefits	4,088,414	439,739	619,617	413,454	1,028,688	113,246	6,703,158
Supplies and equipment	652,042	831,106	93,221	91,743	126,977	329,737	2,124,826
Building operations	1,188,398	203,067	888,744	7,849	851,372	832,130	3,971,560
Interest expense	377,095	282,409	61,719	2,494	24,282	264,441	1,012,440
Depreciation and amortization	1,936,421	691,591	534,700	35,748	611,619	2,626,601	6,436,680
Professional services	458,648	469,859	315,535	228,916	2,564,134	155,316	4,192,408
Other expenses	1,371,995	46,840	1,914,168	665,052	2,845,810	29,209	6,873,074
Total expenses	<u>\$ 29,407,827</u>	<u>\$ 5,267,517</u>	<u>\$ 7,328,618</u>	<u>\$ 3,319,216</u>	<u>\$ 12,803,525</u>	<u>\$ 4,862,431</u>	<u>\$ 62,989,134</u>

Expenses by functional and natural classification for the year ended June 30, 2024, was as follows:

	Instruction	Academic Support	Student Services	Fundraising	Administration	Auxiliary	Total Expenses
Salaries and wages	\$ 18,176,079	\$ 2,617,213	\$ 2,459,189	\$ 1,850,252	\$ 3,830,532	\$ 431,346	\$ 29,364,611
Employee benefits	3,777,566	511,235	473,524	489,346	859,878	54,669	6,166,218
Supplies and equipment	593,823	730,105	93,990	82,698	98,812	265,600	1,865,028
Building operations	1,185,783	894,334	194,153	7,982	726,791	829,799	3,838,842
Interest expense	378,704	283,614	61,982	2,555	24,336	265,569	1,016,760
Depreciation and amortization	1,831,177	702,890	492,535	33,346	656,725	2,707,167	6,423,840
Professional services	536,471	485,393	515,579	231,363	2,531,541	160,071	4,460,418
Other expenses	1,300,512	44,541	1,658,802	383,664	2,585,058	28,693	6,001,270
Total expenses	<u>\$ 27,780,115</u>	<u>\$ 6,269,325</u>	<u>\$ 5,949,754</u>	<u>\$ 3,081,206</u>	<u>\$ 11,313,673</u>	<u>\$ 4,742,914</u>	<u>\$ 59,136,987</u>

Note 17. Related-Party Transactions

The Conservatory's assets include \$6,208,307 and \$9,509,999 of contributions receivable, net from Trustees as of June 30, 2025 and 2024, respectively. Total contributions from Trustees for the years ended June 30, 2025 and 2024, were approximately \$816,000 and \$4,350,000, respectively.

Three Trustees of the Board are managing directors of an investment fund that manages portions of the Conservatory's alternative investment holdings. The Conservatory's investment in these funds have a fair value of \$9,169,893 and \$8,726,618 at June 30, 2025 and 2024, respectively.

New England Conservatory of Music

Notes to Financial Statements

Note 18. Contributions of Nonfinancial Assets

For the years ended June 30, contributed non-financial assets recognized in the statements of activities as gifts-in-kind without donor restrictions include the following:

	2025	2024
Instruments and other	\$ 39,500	\$ 62,500

The Conservatory is utilizing the contributed instruments and other items in the advancement of students' talent through their pursuit of our various programs of study; as such, most contributions are available to all students through the instrument library. The Conservatory utilized professional appraisers or comparable sales to estimate the fair value of donated instruments and other items.

Note 19. Commitments, Contingencies and Uncertainties

On May 28, 2024, the Conservatory entered into an agreement with M. Steinert & Sons and Steinway and Sons (Steinway) to purchase 10 Steinway pianos over a four-year period, beginning in fiscal year 2025. The total purchase price will be approximately \$1,540,000 over the four-year period. Until the full 10 pianos are purchased, Steinway will loan the number of pianos remaining to be purchased to the Conservatory during each academic year. The Conservatory will be responsible for all maintenance, insurance and delivery costs associated with the loaned instruments.

If, at any time during this agreement, the Conservatory is unable to secure funds for additional purchases, the agreement will be terminated with no further obligation by either party, provided that all loaned pianos are returned to Steinway in good working condition. The Conservatory has complied with all terms of the Steinway agreement to date.

The Conservatory participates in a number of federal programs that are subject to financial and compliance audits. Management believes its programs have been conducted in accordance with the terms of the agreements and, thus, does not expect any significant impact if such programs are further audited by funders.

The Conservatory is involved in other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Conservatory's financial condition or changes in net assets.

During the year ended June 30, 2024, the Conservatory determined it was eligible to participate in the Employee Retention Credit (ERC) program. The Conservatory received \$4,474,181 in revenue from the ERC during the year ended June 30, 2025. The ERC is subject to audit until 2027, which is three years from the date the Conservatory applied for the credit.

The Conservatory's revenues include a variety of federal funds, including grants, scholarships, loans and other forms of federal assistance. Economic conditions and legislative responses thereto, including any future federal shutdown may reduce federal funds available to the Conservatory. Additionally, federal policies can shift from one presidential administration or Congress to another, which shifts can result in the reduction of federal funding for a variety of policy priorities. The Conservatory continues to monitor changes to federal policies that may impact the availability, timing and terms of federal funding that could materially affect the Conservatory's operations.