Report of Independent Auditors and Financial Statements

Art Center College of Design

June 30, 2024 and 2023

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Report of Independent Auditors

The Board of Trustees
Art Center College of Design

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Art Center College of Design, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Art Center College of Design as of June 30, 2024 and 2023, 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 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 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 Art Center College of Design's ability to continue as a going concern for one year after the date that the financial statements are 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 Art Center College of Design'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 Art Center College of Design'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.

Moss Adams LLP

Los Angeles, California
October 4, 2024

Financial Statements

Art Center College of Design
Statements of Financial Position
(In Thousands)
June 30, 2024 and 2023

	2024	2023
ASSETS		
ASSETS		
Cash and cash equivalents	$ 8,043	$ 7,981
Unexpended bond proceeds	10,273	31,529
Accounts and notes receivable, net	5,522	5,455
Contributions receivable, net	1,232	2,332
Investments	186,269	171,996
Other assets	4,161	4,038
Property, plant, and equipment, net	188,954	169,264
Total assets	$ 404,454	$ 392,595
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	$ 15,021	$ 13,530
Unearned tuition income	12,471	12,078
Annuity obligations, net	111	117
Bonds payable, net	140,723	144,030
Total liabilities	168,326	169,755
NET ASSETS		
Without donor restrictions	127,772	122,293
With donor restrictions	108,356	100,547
Total net assets	236,128	222,840
Total liabilities and net assets	$ 404,454	$ 392,595

See accompanying notes.

Art Center College of Design
Statements of Activities
(In Thousands)
Years Ended June 30, 2024 and 2023

	2024				2023			
		With Donor Restrictions				With Donor Restrictions		
	Without Donor Restrictions	Program Restrictions	Endowment Funds	Total	Without Donor Restrictions	Program Restrictions	Endowment Funds	Total
OPERATING REVENUES								
Net tuition and fees	$ 111,931	$ -	$ -	$ 111,931	$ 111,056	$ -	$ -	$ 111,056
Private gifts and grants	809	-	-	809	688	-	-	688
Investment and other income, net	2,260	-	-	2,260	2,204	-	-	2,204
Sales and services of auxiliary enterprises	754	-	-	754	778	-	-	778
Other sources	1,978	-	-	1,978	670	-	-	670
Amounts released from restrictions and designation	9,564	-	-	9,564	9,771	-	-	9,771
Total revenues	127,296	-	-	127,296	125,167	-	-	125,167
OPERATING EXPENSES								
Education	97,582	-	-	97,582	93,720	-	-	93,720
Student services	9,450	-	-	9,450	8,589	-	-	8,589
Administration	16,284	-	-	16,284	15,448	-	-	15,448
Advancement	3,303	-	-	3,303	2,403	-	-	2,403
Auxiliary services	3,137	-	-	3,137	3,036	-	-	3,036
Total expenses	129,756	-	-	129,756	123,196	-	-	123,196
Increase (decrease) in net assets from operations	(2,460)	-	-	(2,460)	1,971	-	-	1,971
OTHER CHANGES IN NET ASSETS								
Private gifts and grants	-	2,330	686	3,016	-	2,207	1,213	3,420
Endowment income	-	-	715	715	-	-	262	262
Net change in actuarial obligations	(36)	-	-	(36)	(10)	-	-	(10)
Net change in fair value of investments	9,632	-	11,985	21,617	4,937	-	9,058	13,995
Net asset reclasses	-	(50)	50	-	-	-	-	-
Released from restriction and designation	(1,657)	(4,475)	(3,432)	(9,564)	(2,030)	(4,466)	(3,275)	(9,771)
Increase (decrease) in net assets from other changes	7,939	(2,195)	10,004	15,748	2,897	(2,259)	7,258	7,896
Change in net assets	5,479	(2,195)	10,004	13,288	4,868	(2,259)	7,258	9,867
NET ASSETS, beginning of year	122,293	7,428	$ 93,119	222,840	117,425	9,687	85,861	212,973
NET ASSETS, end of year	$ 127,772	$ 5,233	$ 103,123	$ 236,128	$ 122,293	$ 7,428	$ 93,119	$ 222,840

See accompanying notes.

Art Center College of Design
Statements of Cash Flows
(In Thousands)
Years Ended June 30, 2024 and 2023

	2024	2023
OPERATING ACTIVITIES		
Change in net assets	$ 13,288	$ 9,867
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	6,428	6,098
Bad debt loss (recovery) on student notes, tuition, and contributions receivable	459	(147)
Unrealized and realized gains on investments	(21,617)	(13,995)
Change in actuarial obligations	36	10
Changes in operating assets and liabilities		
Accounts and notes receivable	(528)	(845)
Contributions receivable	1,100	1,821
Other assets	(123)	583
Accounts payable and accrued liabilities	1,492	(75)
Unearned tuition income	393	(1,764)
Annuity obligations	(42)	(17)
Net cash provided by operating activities	886	1,536
INVESTING ACTIVITIES		
Purchases of property, plant, and equipment	(26,072)	(27,051)
Proceeds from sale and maturity of investments	118,632	31,686
Purchases of investments	(111,288)	(30,696)
Net cash used in investing activities	(18,728)	(26,061)
FINANCING ACTIVITIES		
Payments on bonds payable	(3,352)	(3,221)
Net cash used in financing activities	(3,352)	(3,221)
CHANGE IN CASH AND CASH EQUIVALENTS	(21,194)	(27,746)
CASH AND CASH EQUIVALENTS, beginning of year	39,510	67,256
CASH AND CASH EQUIVALENTS, end of year	$ 18,316	$ 39,510
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid during the year	$ 4,147	$ 3,197

See accompanying notes.

Art Center College of Design
Statements of Cash Flows (Continued)
(In Thousands)
Years Ended June 30, 2024 and 2023

	2024	2023
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENTS OF FINANCIAL POSITION		
Cash and cash equivalents	$ 8,043	$ 7,981
Unexpended bond proceeds	10,273	31,529
	$ 18,316	$ 39,510

See accompanying notes.

Note 1 – Nature of Operations

Art Center College of Design (the College) is a California nonprofit public benefit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state tax codes. The objective of the College as a nonprofit educational institution is service, and the primary obligation of accounting and reporting is for resources received and applied rather than the determination of net income.

The Art Center School was founded in 1930 to provide professional instruction in visual arts and industrial design. As an independent, nonprofit institution, it has grown into an internationally acclaimed institution. In the late 1940s, it was renamed Art Center College of Design and received accreditation by the National Association of Schools of Art and Design (NASAD) and the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). The College offers a Bachelor of Fine Arts (BFA) degree in six majors: Creative Direction, Film, Fine Art, Graphic Design, Illustration, and Photography and Imaging. The College offers a Bachelor of Science degree (BS) in five majors: Spatial Experience Design, Interaction Design, Product Design, Transportation Design, and Entertainment Design. Four graduate programs award the Master of Fine Arts (MFA) degree in Film, Art, Graphic Design, and Media Design Practices; and four graduate programs award the Master of Science (MS) degree in Spatial Experience Design; Furniture, Lighting and Fixtures; Industrial Design; and Transportation Systems and Design. Two graduate programs award an online Master of Design (MDes) degree in Brand Design and Strategy and Interaction Design. While the College derives most of its revenues from tuition and student fees, it also receives gifts from individuals, corporations, and foundations.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The financial statements of the College have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Based on the existence or absence of donor-imposed restrictions, the College classifies resources into two categories: without donor restrictions and with donor restrictions.

Without donor restrictions – Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions. Also included within net assets without donor restriction are board-designated endowments.

With donor restrictions – Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the College. Net assets with donor restrictions are designated by donors for specific purposes and include unconditional pledges and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Trustees (the Board) for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of substantially all net assets to be held in perpetuity permit the College to use a portion of the income earned on the related investments for specific purposes.

Expiration of donor-imposed restrictions – Net assets are released from donor restrictions by incurring expenses to satisfy the restricted purposes and by occurrence of events specified by the donors, including the passage of time. Donor restriction on long-lived assets or cash to construct or acquire long-lived assets are considered to have expired when the assets are placed in service or expenditures exceed the amount of the gift.

Non-operating revenues and expenses include donor-restricted gifts, endowment income, realized and unrealized gains and losses on investments during the year, and certain other expenses. To the extent investment income and gains are allocated for operations, as determined by the College's spending policy, those amounts are included in operating revenues. All other investment activity is classified as non-operating.

Expenses – Expenses are reported in the without donor restrictions net asset category.

Functional allocation of expenses – The statements of activities present expenses by functional classification. Interest, depreciation, employee benefits and taxes, tuition remission, and operation and maintenance of plant expenses are allocated to functional categories based on building square footage dedicated to that specific function.

Cash and cash equivalents – Short-term investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Cash and cash equivalents representing assets with donor restrictions are included in investments. Cash and cash equivalents are reported at cost, which approximates fair value.

Unexpended bond proceeds – Indenture requirements of bond financing provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to the construction of plant facilities. Unexpended bond proceeds are comprised of cash equivalents and are recorded at cost, which approximates fair value.

Accounts and notes receivables – Unsecured, non-interest-bearing student receivables are reported net of any anticipated losses due to uncollectible accounts. Uncollectible student accounts are reported as additions to the allowance for expected credit losses based upon historical experience and an analysis of the aging of outstanding balances, as well as current conditions and projected future outcomes. Once a student is no longer enrolled and has failed to make the required payments, the account is placed on nonaccrual status, and uncollectible amounts are written off against the allowance. Tuition charges must be paid by end of term in order to enroll in the following term. There is no interest income recorded for the years ended June 30, 2024 and 2023, as it relates to accounts and notes receivables. Recoveries of student accounts previously written off are recorded when received.

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments, Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments (CECL)*, which requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables and contract assets, at each reporting date. Under this method an allowance is recorded based upon historical experience and management's evaluation of outstanding accounts receivable at the end of each year. The College adopted the new standard on July 1, 2023, using the modified-retrospective approach, which did not have a significant effect on the financial statements as of and for the year ended June 30, 2024. Therefore, there was no cumulative effect to beginning net assets as it was determined to be immaterial.

Contributions receivable – Unconditional promises to give are recorded as contributions receivable and revenue. Contributions are classified as with donor restrictions based on time restrictions or donor imposed stipulations. Contributions receivable are recorded at fair value when received using a discount rate commensurate with the risk involved. Contributions receivable are reviewed for collectability, and reserves for uncollectible amounts are established when needed.

Investments – Investments are reported in the statements of financial position at fair value with any realized or unrealized gains and losses reported in the statements of activities.

Net change in the fair value of investments, which consists of the realized and unrealized gains or losses on those investments, is shown in the statements of activities. Unrealized gains and losses reflect the changes in the fair values of investments. Investment income and gains and losses on investments without donor restrictions, net of related expenses, are reported as increases or decreases in without donor restrictions. Gains or losses related to donor-restricted endowment funds or funds restricted by explicit donor stipulation are reported net of related expenses in with donor restrictions. The date of record for investments is the trade date.

Investment spending rule policy – The Board of Trustees of the College, in setting the endowment spending policy, considered the following factors: 1) preservation of asset values; 2) preservation of purchasing power; and 3) consistency of spending over time. The College's Board of Trustees adopted a spending policy of 4.0% with a view toward balancing the need for expendable funds for the College's programs against the need to preserve the endowment against inflation. The distribution is determined by applying 4.0% to the average of the fair value of investments as of the end of the five preceding fiscal years.

Fair value measurement of investments – U.S. GAAP defines fair value and establishes a framework and disclosures for measuring fair value. U.S. GAAP provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction.

The College carries all of their investments at fair value in accordance with U.S. GAAP.

The standard also prioritizes, within the measurement of fair value, the use of market-based information for investments not measured using the net asset value per share over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date. The three levels of hierarchy are as follows:

- **Level 1** – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the College has the ability to access at the measurement date.

- **Level 2** – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

- **Level 3** – Inputs that are unobservable.

Inputs are used in applying the valuation techniques and broadly refer to the assumptions that the College uses to make valuation decisions, including assumptions about risk. Inputs may include quoted market prices, recent transactions, manager statements, provisions within agreements with investment managers, and other factors. An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the College's perceived risk of the investment.

Transfers between hierarchy levels are recognized at the end of the reporting period. There were no transfers for the years ended June 30, 2024 and 2023.

The investments of the College in Level 1 include short-term investment funds, international equity funds, domestic equity funds, real asset funds, multi-sector bond funds, corporate bond funds, and international corporate bond funds.

The investments of the College in Level 2 include fixed-income government obligations and are valued based on quoted market prices of comparable assets. U.S. Treasury bonds are valued based on quoted market prices of similar assets.

The investments of the College in assets held at net asset value (or equivalent) include multi-strategy hedge fund of funds, private markets fund of funds investments, multi-sector bond funds, and domestic equity funds, and are valued by external investment managers. The Investment Committee, in conjunction with the external investment advisors, monitors and analyzes the valuation of the investments on a quarterly basis. The Investment Committee reports to the Board of Trustees. The valuations consider variables such as financial performance of investments, recent sales prices of investments, and other pertinent information.

Other assets – Other assets is comprised of prepaid insurance contracts and deferred summer semester scholarships. These assets are paid in advance and amortized to expense and contra-tuition revenue, respectively, as the performance obligations are satisfied over the service period or related semester.

(In Thousands)

Property, plant, and equipment – Property, plant, and equipment are stated at cost at date of acquisition or fair value at date of gift. Depreciation is provided over the useful lives of the respective assets on a straight-line basis, except for the cost of leasehold improvements, which is amortized on a straight-line basis over the shorter of the term of the lease or the useful lives of the assets. Land is not depreciated because it is assumed to have an unlimited useful life. Construction in progress is not depreciated until the related assets are placed into service.

The estimated useful lives of depreciable assets are as follows:

	Useful Lives	Capitalization Policy
Buildings and improvements	40 years	$50 and over
Library books	10 years	All library books
Furniture and equipment	5 years	$5 and over
Computer hardware and software	3 years	$25 and over
Leasehold improvements	Lesser of 15 years or life of lease	$10 and over
Land improvements	20 years	$50 and over

Impairment – Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Assets to be disposed are reported at the lower of the carrying amount or fair value less selling costs. During the year ended June 30, 2024 and 2023, there were no events or changes in circumstances indicating that the carrying amount of assets may not be recoverable.

Annuity obligations – The College has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released. However, the cost of managing these contracts and agreements is included in without donor restriction expenses.

The College uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables and discount rates, and the remainder is recorded as a contribution in the appropriate net asset category. The asset account is debited with investment income, gains, and losses, and the liability account is charged with payments to beneficiaries. Periodic adjustments are made between the liability account and the net assets account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at 5.39% in 2024 and 5.10% in 2023, over the estimated lives according to the 2024 and 2023 Default Static Table Combined Female/Male.

Revenue recognition – Student tuition and fees are recorded as revenues net of all College and donor-sponsored financial aid in the period in which the academic services are rendered. Tuition and fees revenue are recognized pro rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. Revenue recognition begins once a student starts attending a course. Student tuition and fees received in advance of services to be rendered are recorded as unearned tuition income. The College determined there are no costs that are capitalized to obtain or to fulfill a contract with a customer.

Contributions have been evaluated and determined to be non-reciprocal and unconditional. Revenue is recognized during the period gifts are received and categorized as either without or with donor restrictions in the net asset category on the statements of activities. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions received in future periods are discounted at the appropriate discount rate.

Other sources of revenue include proceeds from the settlement of legal and insurance cases. Proceeds are recognized as revenue when the payments are received, as this represents the point when all performance obligations in the underlying agreements are satisfied.

Grants and contracts – Revenue from grants and contracts that is nonreciprocal is treated like contributions. If the grant or contract is conditional, a barrier to entitlement exists. Revenue is recognized when the barrier is considered overcome and as allowable expenditures under such agreements are incurred. Revenue from grants and contracts is classified as with donor restriction or without donor restriction based on the presence of any donor-stipulated restrictions on the use of the funds.

Revenue from auxiliary enterprises and other sources is recognized at a point in time when goods or services are provided or performance obligations are met.

Investment income and gains and losses on investments without donor restrictions, net of related expenses, are reported as increases or decreases in without donor restrictions. Gains or losses related to donor-restricted endowment funds or funds restricted by explicit donor stipulation are reported net of related expenses in with donor restrictions. The date of record for investments is the trade date.

Concentration of credit risk – The College maintains commercial accounts in two California banks. Accounts at each bank are insured by the Federal Deposit Insurance Corporation (FDIC).

At June 30, 2024 and 2023, the College had amounts that were in excess of the FDIC insurance limit. The College performs ongoing evaluations of commercial banks to limit its concentration of credit risk exposure. The College has not sustained a loss of funds maintained in commercial banks.

The College holds investments in U.S. Government securities, mutual funds and corporate debt, and equity issues which are managed by outside investment counselors. These balances are insured up to $500 by the Securities Investor Protection Corporation (SIPC). Investments, in general, are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that change in the values of investments will occur in the near term and that such change could materially affect the amounts reported in the statements of financial position.

At June 30, 2024, one donor made up 88% of the College's contribution receivable net balance. At June 30, 2023, two donors made up 79% of the College's contribution receivable net balance. Concentration of credit risk, with respect to student receivables, is limited due to the large number of students from whom amounts are due, with no one account being significant.

Tax-exempt status – The College is a California nonprofit public benefit corporation for federal and state income tax purposes and is exempt from income tax, except with respect to any unrelated business income. Unrelated business income tax, if any, is insignificant, and no tax provision has been made in the accompanying financial statements. The College had no uncertain tax positions for the years ended June 30, 2024 and 2023.

Use of estimates – The preparation of financial statements in conformity with U.S. 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.

Reclassifications – Certain reclassifications have been made to the 2023 financial statements to conform to current-year presentation. These reclassifications have no effect on previously reported change in net assets or total ending net assets of the College.

Related parties – For the years ended June 30, 2024 and 2023, the College had no related-party transactions which were required to be disclosed in accordance to U.S. GAAP.

Note 3 – Accounts and Notes Receivable

Accounts and notes receivable are summarized as follows at June 30, 2024 (in thousands):

Student notes, net of allowance for expected credit losses of $39	$	30
Tuition, net of allowance for expected credit losses of $929		5,246
Other receivables		246
Total accounts and notes receivable, net	$	5,522

Accounts and notes receivable are summarized as follows at June 30, 2023 (in thousands):

Student notes, net of allowance for expected credit losses of $39	$	40
Tuition, net of allowance for expected credit losses of $714		5,185
Other receivables		230
Total accounts and notes receivable, net	$	5,455

Note 4 – Contributions Receivable

Unconditional promises to give are included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Contributions are recorded after discounting at a range from 0.9% to 3.6% of their estimated fair value when recorded.

Unconditional promises to give are expected to be realized in the following years, as of June 30 (in thousands):

	2024	2023
In one year or less	$ 2,466	$ 1,366
Between one year and five years	100	2,332
	2,566	3,698
Less		
Discount	(209)	(241)
Allowance for doubtful contributions receivable	(1,125)	(1,125)
Total contributions receivable, net	$ 1,232	$ 2,332

Gross contributions receivable are for the following purposes, as of June 30 (in thousands):

	2024	2023
Restricted for specific projects	$ 316	$ 1,248
Capital campaign	2,250	2,450
Total contributions receivable	$ 2,566	$ 3,698

Note 5 – Investments

Investments consist of the following at June 30, 2024 and 2023, stated at fair value (in thousands):

	2024	2023
Equity securities		
Short-term investment funds	$ 240	$ 562
International equity funds	8,397	8,899
Domestic equity funds	107,587	83,751
Real asset funds	27	197
Debt securities		
Multi-sector bond funds	45,228	43,749
Corporate bond funds	230	1,951
International corporate bond funds	4	4
U.S. Treasury bonds	57	9,227
Multi-strategy hedge fund of funds	2,750	5,926
Private markets fund of funds	21,749	17,730
	$ 186,269	$ 171,996

Net unrealized and realized gains in the College's total investments were $21,617 and $13,995, respectively, for the years ended June 30, 2024 and 2023.

Note 6 – Fair Value of Assets and Liabilities

The following table summarizes the valuation of the College's assets by the fair value hierarchy levels, as of June 30, 2024 (in thousands):

	Balance at June 30, 2024	Level 1	Level 2	Level 3	Assets Held at Net Asset Value (or Equivalent)
Equity securities					
Short-term investment funds	$ 240	$ 240	$ -	$ -	$ -
International equity funds	8,397	8,397	-	-	-
Domestic equity funds	107,587	17,078	-	-	90,509
Real asset funds	27	27	-	-	-
Total equity securities	116,251	25,742	-	-	90,509
Debt securities					
Multi-sector bond funds	45,228	34,266	-	-	10,962
Corporate bond funds	230	230	-	-	-
International corporate bond funds	4	4	-	-	-
U.S. Treasury bonds	57	-	57	-	-
Total debt securities	45,519	34,500	57	-	10,962
Total redeemable assets	161,770	60,242	57	-	101,471
Hedge fund investments					
Multi-strategy hedge fund of funds	2,750	-	-	-	2,750
Total hedge fund investments	2,750	-	-	-	2,750
Private markets fund of funds investments	21,749	-	-	-	21,749
	$ 186,269	$ 60,242	$ 57	$ -	$ 125,970

The following table summarizes the valuation of the College's assets by the fair value hierarchy levels, as of June 30, 2023 (in thousands):

	Balance at June 30, 2023	Level 1	Level 2	Level 3	Assets Held at Net Asset Value (or Equivalent)
Equity securities					
Short-term investment funds	$ 562	$ 562	$ -	$ -	$ -
International equity funds	8,899	8,899	-	-	-
Domestic equity funds	83,751	11,822	-	-	71,929
Real estate funds	197	197	-	-	-
Total equity securities	93,409	21,480	-	-	71,929
Debt securities					
Fixed income government obligations	43,749	30,788	-	-	12,961
Corporate bond funds	1,951	1,951	-	-	-
Government bond funds	4	4	-	-	-
International corporate bond funds	9,227	-	9,227	-	-
Total debt securities	54,931	32,743	9,227	-	12,961
Total redeemable assets	148,340	54,223	9,227	-	84,890
Hedge fund investments					
Multi-strategy hedge fund of funds	5,926	-	-	-	5,926
Total hedge fund investments	5,926	-	-	-	5,926
Private markets fund of funds investments	17,730	-	-	-	17,730
	$ 171,996	$ 54,223	$ 9,227	$ -	$ 108,546

The following table represents the liquidity and redemption restrictions on the above investments that do not have a readily determinable fair value or utilize net asset value per share (or equivalent) to determine fair value as of June 30, 2024:

	2024			
	Fair Value at Year End	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-sector bond funds	$ 10,962	$ -	Monthly	16 Days
Domestic equity funds	90,509	-	Monthly	16 Days
Multi-strategy hedge fund of funds	2,750	-	Quarterly after 1 Year Lock	90 Days
Private markets fund of funds investments	21,749	13,780	Not applicable	Not applicable
	$ 125,970	$ 13,780		

Multi-sector bond fund strategy is to achieve attractive risk-adjusted returns versus its benchmark index Bloomberg Barclays US Aggregate Bond Index (the Benchmark Index) by investing assets with a group of independent investment managers (the Portfolio Managers) primarily pursuing fixed income and credit strategies.

Domestic equity funds' strategy is to gain global equity exposure through an efficient and diversified fund of funds structure. The domestic equity funds seek to generate higher risk-adjusted returns than broad global equity markets by investing in skilled managers along with fewer constraints in portfolio construction. The domestic equity funds seek institutional-quality investment managers that have an identifiable and sustainable competitive advantage, implement unique and compelling investment strategies using a consistent investment philosophy and process, exhibit strong ethics, maintain deep and experienced teams, and have a history of achieving attractive risk-adjusted returns compared to relevant equity indices and peers. The domestic equity funds are diversified across regions, market capitalizations, and styles among a concentrated group of managers.

Multi-strategy hedge fund of funds' strategy is to allow investors to gain hedge fund exposure through an efficient and diversified structure. The goal of the fund is to generate superior risk-adjusted returns with moderate volatility by investing in funds sponsored by historically successful managers pursuing a cross-section of absolute return strategies, mitigate losses in falling markets, exhibit relatively low correlation to traditional asset classes, and provide a range of exposure across sectors, regions, strategies, and managers.

Private markets fund of funds investments' strategy is to be diversified across the following strategies: private equity (buyouts, distressed/special situations, growth equity, venture capital, secondaries, and co-investments), private real estate (opportunistic, value added, and debt), private debt, and real assets (energy, power, timber, infrastructure). The fund will invest primarily in North American funds, with some international exposure. No limited partner shall have the right to withdraw, or receive any return of, or the fair value of, any portion of any such limited partner's capital contributions to the funds. Prior to the completion of the winding up of the fund, no limited partner shall have the right to resign or withdraw as such. The total fund life will be 10 years with four optional one-year extensions at the discretion of the manager, with further extension possible if an underlying portfolio company has not yet liquidated.

Note 7 – Endowments

The College's endowment consists of approximately 146 individual donor-restricted endowment funds and funds designated by the Board as the quasi-endowment. The net assets associated with donor-restricted endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Income from the Board-designated quasi-endowment has been internally designated for direct student aid, including scholarships, and strategic initiatives.

The Board of Trustees of the College has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the College classifies as with donor restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Donor-restricted endowment income and accumulated gains are classified as with donor restrictions net assets until those amounts are appropriated for expenditure of the College in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the College considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund
2. The purposes of the College and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation/depreciation of investments
6. Other resources of the College
7. The investment policies of the College

The following tables present the College's endowment composition, changes, and net asset classifications. Endowment net asset composition by type of fund as of June 30, 2024 (in thousands):

	Board-Designated	Endowment	Total
Board-designated	$ 49,565	$ -	$ 49,565
Donor-restricted	-	103,123	103,123
Total	$ 49,565	$ 103,123	$ 152,688

Changes in endowment net assets for the year ended June 30, 2024 (in thousands):

	Board-Designated	Endowment	Total
Endowment net assets, beginning of year	$ 44,234	$ 93,119	137,353
Investment income	316	715	1,031
Net appreciation (realized and unrealized)	6,072	11,985	18,057
Total investment return	50,622	105,819	156,441
Gifts	-	686	686
Designation for endowment	-	50	50
Appropriation of endowment assets for expenditure	(1,057)	(3,432)	(4,489)
Endowment net assets, end of year	$ 49,565	$ 103,123	$ 152,688

Endowment net asset composition by type of fund as of June 30, 2023 (in thousands):

	Board-Designated	Endowment	Total
Board-designated	$44,234	$ -	$ 44,234
Donor-restricted	-	93,119	93,119
Total	$ 44,234	$ 93,119	$ 137,353

Changes in endowment net assets for the year ended June 30, 2023 (in thousands):

	Board-Designated	Endowment	Total
Endowment net assets, beginning of year	$ 41,178	$ 85,861	$ 127,039
Investment income	150	262	412
Net appreciation (realized and unrealized)	4,536	9,058	13,594
Total investment return	45,864	95,181	141,045
Gifts	-	1,213	1,213
Designation for endowment	1,000	-	1,000
Appropriation of endowment assets for expenditure	(2,630)	(3,275)	(5,905)
Endowment net assets, end of year	$ 44,234	$ 93,119	$ 137,353

Endowment funds with deficits – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When donor endowment deficits exist, they are classified as a reduction of with donor restrictions net assets. There were no deficiencies of this nature as of June 30, 2024 and 2023.

Return objectives and risk parameters – The College has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment's target allocation applied to the appropriate individual benchmarks.

Strategies employed for achieving investment objectives – To achieve 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 gains) and current yield (interest and dividends). The College targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

Relationship of spending policy to investment objectives – The Board of Trustees of the College (Board) determines the method to be used to appropriate endowment funds for expenditure. The method established by the Board multiplies the average fair value for the preceding five fiscal years by 4.0% and appropriates that amount for expenditure one year subsequent to the calculation. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. Accordingly, over the long-term, the College expects the current spending policy to allow its endowment to grow at an average of 4.0% annually, consistent with its intention to maintain the purchasing power of the endowment assets, as well as to provide additional real growth through new gifts.

Note 8 – Property, Plant, and Equipment

Property, plant, and equipment, net of accumulated depreciation, are summarized as follows at June 30 (in thousands):

	2024	2023
Land	$ 9,980	$ 9,980
Land improvements	237	237
Building and improvements	189,106	154,992
Library books	991	1,019
Furniture and equipment	8,982	9,049
Computer hardware and software	530	496
Leasehold improvements	999	-
Construction-in-progress	21,541	32,211
Total	232,366	207,984
Less: accumulated depreciation	(43,412)	(38,720)
Property, plant, and equipment, net	$ 188,954	$ 169,264

Total depreciation expense for the years ended June 30, 2024 and 2023, was approximately $6,382 and $6,053, respectively.

Note 9 – Unearned Tuition Income

Unearned tuition income of $12,471 and $12,078 as of June 30, 2024 and 2023, respectively, represents performance obligations associated with tuition and fees revenue for each academic year's summer term that begins in May and ends in August. The unearned tuition revenue is recognized pro rata as revenue over the summer term.

Changes in unearned tuition income for the years ended June 30 (in thousands):

	2024	2023
Unearned tuition income, beginning of year	$ 12,078	$ 13,842
Revenue recognized	(12,078)	(13,842)
Unearned tuition for future performance obligations	12,471	12,078
Total	12,471	12,078
Unearned tuition income, end of year	$ 12,471	$ 12,078

Note 10 – Bonds Payable

Bonds payable included the following at June 30, 2024 (in thousands):

	Effective Interest Rates	Maturity Dates	Total
California Educational Facilities Authority (CEFA) Revenue Bonds			
Series 2018A	5.00%	2048	$ 91,755
Bond premiums, net			11,563
Bond issuance costs, net			(749)
Total			102,569
California Educational Facilities Authority (CEFA) Revenue Bonds			
Series 2022A	5.00%	2051	33,880
Bond premiums, net			4,673
Bond issuance costs, net			(399)
Total			38,154
Total bonds payable			$ 140,723

Bonds payable included the following at June 30, 2023 (in thousands):

	Effective Interest Rates	Maturity Dates	Total
California Educational Facilities Authority (CEFA) Revenue Bonds			
Series 2018A	5.00%	2048	$ 93,885
Bond premiums, net			12,040
Bond issuance costs, net			(780)
Total			105,145
California Educational Facilities Authority (CEFA) Revenue Bonds			
Series 2022A	5.00%	2051	34,455
Bond premiums, net			4,843
Bond issuance costs, net			(413)
Total			38,885
Total bonds payable			$ 144,030

(In Thousands)

On January 25, 2022, the College issued a $35,000 California Educational Facilities Authority (CEFA) Fixed Rate Revenue Bonds (Art Center College of Design) Series 2022A with an original issue premium of $5,098. $40,098 will be used to finance the acquisition, construction, improvement, renovation, and equipping of certain educational and administrative facilities of the College, and to pay certain costs of issuance of and interest on the bonds.

On August 30, 2018, the CEFA Series 2014A and 2014B bonds were legally defeased with the issuance of $100,000 Fixed Rate CEFA Revenue Bonds (Art Center College of Design) Series 2018A with an original issue premium of $14,305. Of the proceeds, $61,305 refunded the Series 2014 A and B bonds; $53,000 was used to finance or refinance the acquisition, construction, improvement, renovation, and equipping of certain educational and administrative facilities of the College, and to pay certain costs of issuance of and interest on the bonds.

The CEFA Series 2018A and Series 2022A bonds contain covenants relating to maintenance of the College, compliance with specified financial ratios, annual reporting to bondholders, insurance, and other general items. The bonds are secured by the gross revenues of the College.

	Principal Payment
2025	$ 2,840
2026	2,995
2027	3,145
2028	3,300
2029	3,475
2030 and thereafter	109,880
	$ 125,635

Both the Series 2018A bonds and Series 2022A bonds have a fixed interest rate of 5%. Interest on the bonds shall be calculated on the basis of a 360-day year and twelve 30-day months, and shall be payable in arrears on each interest payment date, upon maturity, or upon prior redemption. Interest payment dates occur twice a year on December 1 and June 1, and principal payments are due on December 1.

Interest expense and related fees for the years ended June 30, 2024 and 2023, totaled approximately $4,124 and $3,197, respectively. Bonds payable is presented as a net amount on the statements of financial position net of bond issuance costs. The total bond issuance costs and the related accumulated amortization totaled approximately $1,363 and $215 at June 30, 2024, and $1,363 and $170 at June 30, 2023. Issuance costs are being amortized over the term of the bonds on the straight-line method, which approximates the interest method.

Note 11 – Net Assets

The net assets without donor restrictions comprised the following as of June 30 (in thousands):

	2024	2023
Investment in plant	$ 58,495	$ 56,763
Quasi endowment	49,565	44,234
Unallocated or internally designated	19,712	21,296
Total net assets without donor restrictions	$ 127,772	$ 122,293

The net assets with donor restrictions comprised the following as of June 30 (in thousands):

	2024	2023
Subject to expenditure when a specified event occurs		
Donor-funded educational projects and programs	$ 2,208	$ 3,955
Donor-funded scholarships	767	604
Capital projects	2,258	2,869
	5,233	7,428
Subject to endowment spending policy and appropriation		
Unrestricted use	3,389	2,805
Scholarships	32,405	25,133
Educational programs	6,508	5,096
	42,302	33,034
Amounts required to be retained in perpetuity		
Unrestricted use	3,197	3,197
Scholarships	47,918	47,182
Educational programs	9,398	9,398
CGA	308	308
	60,821	60,085
Total net assets with donor restrictions	108,356	100,547
Total net assets	$ 236,128	$ 222,840

Note 12 – Net Tuition and Fees

Tuition and fee revenue for the years ended June 30 consists of the following (in thousands):

	2024	2023
Tuition and fees	$ 140,133	$ 138,037
Less		
College-sponsored financial aid	(24,803)	(23,598)
Donor-sponsored financial aid	(3,399)	(3,383)
Net tuition and fees	$ 111,931	$ 111,056

Note 13 – Retirement Plans

The College sponsors a noncontributory defined contribution plan (the Defined Contribution Plan), which provides retirement benefits for certain academic and administrative employees.

The expense associated with this plan was approximately $4,871 and $4,174 for the years ended June 30, 2024 and 2023, respectively.

Note 14 – Expenses

Expenses by function and nature consist of the following for the year ended June 30, 2024:

	Education	Student Services	Administration	Advancement	Auxiliary Services	Total Operating Expenses
Salaries	$ 48,276	$ 4,396	$ 5,966	$ 1,862	$ 532	$ 61,032
Employee benefits and taxes	16,322	380	651	303	211	17,867
Supplies and services	11,041	4,164	8,743	731	2,110	26,789
Maintenance and operations	12,302	286	518	228	159	13,493
Depreciation and amortization	5,860	136	247	109	76	6,428
Interest and fees on debt	3,781	88	159	70	49	4,147
Total operating expenses	$ 97,582	$ 9,450	$ 16,284	$ 3,303	$ 3,137	$ 129,756

Expenses by function and nature consist of the following for the year ended June 30, 2023:

	Education	Student Services	Administration	Advancement	Auxiliary Services	Total Operating Expenses
Salaries	$ 47,384	$ 4,168	$ 5,583	$ 1,691	$ 466	$ 59,292
Employee benefits and taxes	14,463	336	599	268	187	15,853
Supplies and services	11,928	3,621	8,426	74	2,125	26,174
Maintenance and operations	11,470	267	483	213	148	12,581
Depreciation and amortization	5,560	129	234	103	72	6,098
Interest and fees on debt	2,915	68	123	54	38	3,198
Total operating expenses	$ 93,720	$ 8,589	$ 15,448	$ 2,403	$ 3,036	$ 123,196

Note 15 – Liquidity

The following table reflects the College's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statements of financial position date (in thousands):

	2024	2023
Cash and cash equivalents	$ 8,043	$ 7,981
Unexpended bond proceeds	10,273	31,529
Accounts and notes receivable, net	5,522	5,455
Contributions receivable, net	1,232	2,332
Investments	186,269	171,996
Other assets	4,161	4,038
Total financial assets	215,500	223,331
Less		
Receivables scheduled to be collected in more than one year		
Student notes receivable	(30)	(40)
Other receivables	(230)	(230)
Other assets – prepaid insurance, deferred scholarships, inventory	(4,161)	(4,038)
Unexpended bond proceeds	(10,273)	(31,529)
Contractual or donor-imposed restrictions		
Endowment funds and charitable gift annuities	(103,123)	(93,119)
Contributions receivable, net, with donor restrictions and to be collected in more than one year	(100)	(2,332)
Other donor restrictions	(2,872)	(3,968)
Funds restricted for annual bond debt service	(8,800)	(8,803)
Board designations		
Quasi-endowment	(49,565)	(44,234)
Financial assets available to meet cash needs for general expenditures within one year	$ 36,346	$ 35,038

Endowment funds consist of donor-restricted endowments and funds designated by the Board as the quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Income from the Board-designated quasi-endowment has been internally designated for direct student aid, including scholarships, and strategic initiatives. The College does not intend to spend from the Board-designated quasi-endowment other than for the internally designated purposes, and has deducted the funds from financial assets available in the table above. However, these amounts could be made available if necessary. As part of the College's liquidity management plan, it structures its financial assets to be available as obligations come due. Cash is held in interest-bearing bank accounts and is invested in short-term, fixed-income investments.

Note 16 – Commitments and Contingencies

The College has general contracts and commitments to the outside parties for certain equipment and facilities that extend through 2026 which are non-cancellable.

Rent expense under operating leases was approximately $4,893 and $4,525 for the years ended June 30, 2024 and 2023, respectively.

Litigation – In the normal course of operations, the College is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the College's financial position.

Federal grants – Certain federal grants, including financial aid which the College administers and for which it receives reimbursements, are subject to audit and final acceptance by federal granting agencies. Current- and prior-year costs of such grants are subject to adjustments upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be documented at the time, although the College expects such amounts, if any, would not have a significant impact on the financial position of the College.

Art Center Global, LLC formed in August 2021 has established a Wholly Foreign Owned Enterprise (WFOE) in the People's Republic of China in support of future operations. The WFOE is formally named Art Center College of Design Consulting (Beijing) Co. Ltd and has been issued a business license. The WFOE is in the process of establishing a local bank account and has not yet begun operations in China.

The College finalized a three-year Collective Bargaining Agreement (CBA) with the Art Center Faculty Federation (ACFF), part of the California Federation of Teachers (CFT) AFL-CIO, effective May 1, 2024 through April 30, 2027.

Note 17 – Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The College recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed as of the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The College's financial statements do not recognize subsequent events that provided evidence about conditions that did not exist as of the date of the balance sheet but arose after the balance sheet date and before the financial statements are issued.

The College evaluated subsequent events through October 4, 2024, which is the date the financial statements are issued and concluded no subsequent events have occurred that require recognition or disclosure, other than those disclosed above.

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