MARYLAND INSTITUTE COLLEGE OF ART

Financial Statements

May 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors’ Report

The Board of Trustees
Maryland Institute College of Art:

Opinion

We have audited the financial statements of Maryland Institute College of Art (the College), which comprise the balance sheets as of May 31, 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 the College as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the 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 audit. 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 U.S. generally accepted accounting principles, 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 College’s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors’ 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 auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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[6], but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Baltimore, Maryland
October 28, 2024

MARYLAND INSTITUTE COLLEGE OF ART

Balance Sheets

May 31, 2024 and 2023

Assets		**2024**	**2023**
Cash and cash equivalents	$	19,961,538	25,678,360
Student loans and tuition receivables, net		2,893,728	1,671,193
Contributions receivable		5,552,164	6,278,830
Prepaid expenses and other assets		3,260,347	4,740,028
Deposits with bond trustees		4,216,093	3,457,591
Investments		126,616,133	114,221,589
Interest in funds held in trust by others		2,033,210	1,840,846
Right of use assets, operating leases		378,867	510,172
Property and equipment, net		156,355,215	161,410,069
Total assets	$	321,267,295	319,808,678
Liabilities and Net Assets			
Accounts payable and accrued expenses	$	10,463,560	11,371,613
Deferred revenue		2,827,260	3,719,193
Refundable advances from U.S. government		—	51,158
Liabilities under trust agreements		61,009	96,777
Lease obligations		420,772	516,720
Bonds payable		81,795,975	83,755,910
Total liabilities		95,568,576	99,511,371
Net assets:			
Without donor restriction		122,667,020	127,426,945
With donor restriction		103,031,699	92,870,362
Total net assets		225,698,719	220,297,307
Total liabilities and net assets	$	321,267,295	319,808,678

See accompanying notes to financial statements.

MARYLAND INSTITUTE COLLEGE OF ART

Statement of Activities

Year ended May 31, 2024
(with summarized financial totals for the year ended May 31, 2023)

	Without donor restriction	With donor restriction	Total 2024	Total 2023
Revenues, gains, and other:				
Tuition and fees, net of financial aid of $35,443,399 in 2024 and $34,791,233 in 2023	$ 53,959,938	—	53,959,938	59,504,168
Auxiliary enterprises	11,946,363	—	11,946,363	11,393,539
Contributions for capital and endowment	—	2,472,848	2,472,848	3,338,940
Contributions for operations	765,215	1,460,433	2,225,648	1,305,803
Government grants	3,000	2,358,506	2,361,506	2,344,569
State appropriations	5,447,157	—	5,447,157	5,010,110
Net realized and unrealized gains (losses) on investments	2,402,401	10,580,547	12,982,948	(4,240,307)
Dividends and interest income	3,949,784	—	3,949,784	2,686,496
Other	605,465	—	605,465	426,406
Net assets released from restrictions	6,710,997	(6,710,997)	—	—
Total revenues, gains, and other	85,790,320	10,161,337	95,951,657	81,769,724
Expenses:				
Instruction	33,388,137	—	33,388,137	34,747,820
Academic support	20,319,505	—	20,319,505	20,130,128
Student services	6,134,580	—	6,134,580	6,168,221
Institutional support	12,558,518	—	12,558,518	11,976,081
Auxiliary enterprises	15,168,735	—	15,168,735	14,811,881
Total expenses	87,569,475	—	87,569,475	87,834,131
Change in net assets before sale of property and severance costs	(1,779,155)	10,161,337	8,382,182	(6,064,407)
Severance costs	(3,534,682)	—	(3,534,682)	—
Gain on sale of property	553,912	—	553,912	—
Change in net assets	(4,759,925)	10,161,337	5,401,412	(6,064,407)
Net assets at beginning of year	127,426,945	92,870,362	220,297,307	226,361,714
Net assets at end of year	$ 122,667,020	103,031,699	225,698,719	220,297,307

See accompanying notes to financial statements.

MARYLAND INSTITUTE COLLEGE OF ART

Statement of Activities

Year ended May 31, 2023

	Without donor restriction	With donor restriction	Total
Revenues, gains, and other:			
Tuition and fees, net of financial aid of $34,791,233	$ 59,504,168	—	59,504,168
Auxiliary enterprises	11,393,539	—	11,393,539
Contributions for capital and endowment	—	3,338,940	3,338,940
Contributions for operations	682,406	623,397	1,305,803
Government grants	153,124	2,191,445	2,344,569
State appropriations	5,010,110	—	5,010,110
Net realized and unrealized losses on investments	(2,496,691)	(1,743,616)	(4,240,307)
Dividends and interest income	2,686,496	—	2,686,496
Other	387,390	39,016	426,406
Net assets released from restrictions	6,537,397	(6,537,397)	—
Total revenues, gains, and other	83,857,939	(2,088,215)	81,769,724
Expenses:			
Instruction	34,747,820	—	34,747,820
Academic support	20,130,128	—	20,130,128
Student services	6,168,221	—	6,168,221
Institutional support	11,976,081	—	11,976,081
Auxiliary enterprises	14,811,881	—	14,811,881
Total expenses	87,834,131	—	87,834,131
Change in net assets	(3,976,192)	(2,088,215)	(6,064,407)
Net assets at beginning of year	131,403,137	94,958,577	226,361,714
Net assets at end of year	$ 127,426,945	92,870,362	220,297,307

See accompanying notes to financial statements.

MARYLAND INSTITUTE COLLEGE OF ART

Statements of Cash Flows

Years ended May 31, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 5,401,412	(6,064,409)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	7,659,373	8,112,744
Gain on sale of property and equipment	(553,912)	—
Proceeds from restricted contributions	(2,472,848)	(3,338,940)
Realized and unrealized (gains) losses	(12,982,948)	4,235,742
Changes in assets and liabilities:		
Receivables, excluding loans	(1,029,968)	553,729
Prepaid expenses and other assets	1,479,681	304,164
Accounts payable and accrued expenses	(908,053)	(847,224)
Deferred revenue	(891,933)	(185,681)
Other	(299,578)	(413,688)
Net cash (used in) provided by operating activities	(4,598,774)	2,356,437
Cash flows from investing activities:		
Purchases of property and equipment	(3,088,845)	(8,589,063)
Proceeds from the sale of property and equipment	1,038,238	—
Purchases of investments	(50,193,874)	(17,513,416)
Proceeds from sales and maturities of investments	50,555,019	17,359,640
Student loan principal payments	—	10,467
Change in deposits with bond trustees, net	(759,375)	(36,074)
Net cash used in investing activities	(2,448,837)	(8,768,446)
Cash flows from financing activities:		
Change in refundable advances from U.S. government, net	(51,158)	(25,158)
Debt principal payment	(1,625,000)	(1,550,000)
Proceeds from restricted contributions	3,006,947	3,670,277
Net cash provided by financing activities	1,330,789	2,095,119
Net change in cash and cash equivalents	(5,716,822)	(4,316,890)
Cash and cash equivalents at beginning of year	25,678,360	29,995,250
Cash and cash equivalents at end of year	$ 19,961,538	25,678,360

See accompanying notes to financial statements.

(1) The College and Summary of Significant Accounting Policies

(a) The College

The Maryland Institute College of Art (the College) was chartered in 1826 by an act of the Maryland General Assembly and is one of the nation's oldest independent, fully accredited, degree-granting colleges specializing in the visual arts. Located in the Bolton Hill neighborhood and adjacent to the Station North arts district within the City of Baltimore, Maryland, the College is committed to both the education of professional artists and the further advancement of art in the community.

The College offers a four-year undergraduate program leading to the Bachelor of Fine Arts degree, plus the option to combine one of eighteen studio majors with Humanistic Studies for a dual degree. In addition, the College's twenty graduate programs lead to degrees in the Master of Fine Arts, the Master of Arts, the Master of Business Administration/Master of Arts, the Master of Professional Studies, and the Post-Baccalaureate Certificate. Finally, the College's Open Studies program enrolls adult students, artists, and others not pursuing an academic degree in credit and noncredit courses.

The College enrolls approximately 1,800 undergraduate and graduate students. Students come from 45 states and 40 countries. The College employs approximately 600 full-time, part-time, and temporary faculty and staff members.

(b) Basis of Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the College are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

With donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the College and/or the passage of time. Also included in this category are net assets to be maintained permanently by the College. Generally, the donors of these assets permit the College to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restriction unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Net realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed into service.

Assets and liabilities are presented in the order of liquidity in the balance sheets.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

(d) Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments with maturities at dates of purchase of three months or less, except that any such investments purchased with funds on deposit with bond trustees or held by endowment investment managers are classified with those applicable assets and are not considered cash and cash equivalents for purposes of the statements of cash flows. Cash equivalents as of May 31, 2024 and 2023 represent money market funds held for operating purposes. Cash restricted for purpose as of May 31, 2024 and 2023 aggregated $0 and $76,077, respectively.

(e) Contributions

Contributions, including unconditional promises to give, are recognized as revenue in the appropriate category of net assets in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted using a risk-adjusted rate for the expected period of collection. Amortization of the discount is recorded as contribution revenue. When necessary, allowance is made for estimated uncollectible contributions based on management’s judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors. Changes in the nature of any restrictions on contributions due to amendments to or clarifications of agreements with donors are recognized as reclassifications of net assets in the period in which the amendments or clarifications are approved.

(f) Investments

Investments in money market funds, U.S. government securities, common and preferred stock, and mutual funds, with readily determinable fair values are recorded at fair value based upon quoted or published market prices. Private equity and limited partnership interests (alternative investments), which include venture capital and hedge funds, are stated at the funds’ net asset value (NAV) per share or its equivalent as a practical expedient. As of May 31, 2024 and 2023, the College had no plans or intentions to sell investments at amounts different from NAV (or their equivalent). These estimated fair values, which are reviewed and evaluated by the College, may differ from values that would have been used had a ready market existed for these investments and the differences could be significant. Net realized and unrealized gains and losses on investments are reflected in the statements of activities. Investment transactions are accounted for on a trade-date basis.

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheets.

(Continued)

Investments of endowment funds are maintained in a pool under a trust agreement with a bank. The investment pool is unitized on a market value basis with individual funds subscribing to or disposing of units on the basis of the market value per unit. The income or loss from the investment pool is proportionately allocated to the purposes designated by the donors or the board of trustees (the Board).

(g) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See note 6 for further discussion of fair value measurements.

(h) Interest in Funds Held in Trust by Others

The College’s interest in funds held in trust by others consists primarily of irrevocable perpetual trusts held and administered by others. At the dates the trusts were established, the fair values of the estimated future cash receipts from the trusts were recognized as assets and contribution revenue. The contributions were classified as net assets with donor restriction. Distributions from the trusts are recognized as investment income and used in accordance with donor-imposed stipulations. The carrying values of the assets are adjusted for changes in the estimates of future cash receipts. The adjustments are recognized as donor-restricted gains or losses.

(i) Deposits with Bond Trustees

Deposits with bond trustees consist of debt service funds and the unexpended proceeds of certain debt. These funds are invested primarily in short-term, highly liquid securities and will be used for payment of debt service on related bonds.

(j) Property and Equipment

Property and equipment are stated at cost, if purchased, or at fair value at date of gift, if donated. Additions or improvements that extend the useful life of existing facilities are capitalized. Depreciation is computed using the straight-line method over estimated useful lives of 40 years for buildings and improvements, 20 and 10 years for leasehold improvements, 20 years for library books, 7 years for equipment, and 3 years for technology assets. Repairs and maintenance costs are expensed as incurred.

(k) Leasing

The College determines if an arrangement is a lease at inception. The College has both leases under which is obligated as a lessee and leases for which it is a lessor. Operating leases as a lessee are included in right of use assets, operating leases and lease obligations in the balance sheets. Finance leases as a lessee are included in property and equipment, net and lease obligations in the balance sheets.

Right of use assets represent the College’s right to use an underlying asset for the lease term. Lease obligations represent the College’s liability to make lease payments arising from the lease. Operating and finance lease right of use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. 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.

Rental income arising from operating leases as a lessor is included in operating revenue in auxiliary enterprises in the statements of activities.

(l) Internal-Use Software Development Costs

The College capitalizes certain internal-use software development costs that are amortized using the straight-line method over the estimated lives of the software. Capitalized costs include services consumed in developing or obtaining internal-use software and payroll related costs for employees directly associated with the internal-use software development project. Capitalization of such costs ceases at the point at which the project is substantially complete and ready for its intended purpose. Capitalized internal-use software development costs for projects not yet complete are included as construction in progress. As of May 31, 2024 and 2023, the net balance of capitalized internal-use software development costs was $1,178,911 and $1,551,634, respectively.

(m) Student Services Revenue

Student services revenue consists of tuition and fees, housing, meal plan sales, and other auxiliary services.

The following presents the College’s student services disaggregated by type for the years ended May 31, 2024 and 2023:

		2024	2023
Undergraduate	$	37,856,333	41,248,169
Graduate		15,559,596	17,548,451
Open studies		544,009	707,548
Tuition and fees, net of financial aid	$	53,959,938	59,504,168
Housing	$	8,367,236	7,899,832
Meal plan sales		2,329,717	2,258,739
Other		1,249,410	1,234,968
Auxiliary enterprises	$	11,946,363	11,393,539

The College requires an enrollment deposit to secure a place in upcoming academic terms for new students. A contract exists with the student when the College receives an enrollment deposit from the student. The performance obligations, such as the delivery of the academic program, residential housing, and meals, are provided over each term with revenue being recognized during the year the related academic services are rendered.

(Continued)

Student services revenue is presented at transaction prices which are determined based on published rates for such services, less any institutional financial aid awarded by the College to qualifying students. The College's policy attributes student aid provided by the College first to tuition and fees and any excess to auxiliary services. Students are billed prior to the beginning of the term and have the option to enroll in a payment plan or pay the full balance at once. Student payments received in advance of services rendered are recorded as deferred revenue and recognized over the term. As of May 31, 2024 and 2023, the College has deferred revenue related to student services totaling $2,565,298 and $2,336,921, respectively. The College expects to recognize this amount as revenue within the next fiscal year. A student may be eligible for a refund upon withdrawal based on the last date of attendance and completion of the proper paperwork. The period for refunds for academic programs does not span fiscal periods, as such, refunds are recorded against revenue when they are made.

(n) Functional Expenses

Costs related to the operation and maintenance of physical plant, including depreciation, are allocated to program and supporting activities based upon square footage of all facilities. Interest on debt related to financing the construction of facilities is allocated based on square footage of all facilities. Total fundraising expenses were approximately $1,566,893 and $1,553,960 for 2024 and 2023, respectively. See note 13 for operating expenses by natural classification.

(o) Severance costs

During the year ended May 31, 2024, the College implemented a restructuring plan in an effort to reduce costs moving forward. In connection with this restructuring plan, many employees accepted severance packages for their voluntary departures. The total severance cost incurred during the year ended May 31, 2024 was $3,534,682.

(p) Federal Student Financial Aid Programs

Funds provided by the U.S. government under the Federal Perkins Loan Program (Perkins) are loaned to qualified students and may be reloaned after collection. All student loans outstanding at May 31, Perkins loans. Such funds are ultimately refundable to the government and are reported as a liability. As of May 31, 2024, the College did not have any Perkins loans outstanding.

(q) Income Taxes

As an educational institution meeting the requirements of Section 501(c)(3) of the Internal Revenue Code, the College is exempt from income taxes on income related to their exempt purpose as provided in Section 501(a), except to the extent they have taxable income from activities that are not related to their exempt purpose. The College reviews its tax position annually and has determined that there are no uncertain tax positions that require recognition or disclosure with financial statements.

(r) Recent Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13 *Financial Instruments-Credit Losses (Topic 326)*: *Measurement of Credit Losses on Financial Instruments*, which revises the accounting requirements related to the measurement of credit losses and requires organizations to measure all expected credit losses for financial assets based on historical experience, current conditions, and reasonable and supportable forecasts about collectability.

Assets must be presented in the financial statements at the net amount expected to be collected. This ASU is effective for all not-for-profit entities for fiscal years beginning after December 15, 2022 and should be implemented on a modified retrospective basis.

On June 1, 2023, the College adopted the new accounting standard and all of the applicable related amendments using the modified retrospective method. The adoption did not have a material impact on the College's financial statements.

(2) Financial Assets and Liquidity Resources

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

		2024	2023
Financial assets:			
Cash and cash equivalents	$	19,961,538	25,602,283
Student loans and tuition receivables		2,893,728	1,671,193
Contributions receivable		—	1,504,835
Working capital investments		9,210,736	8,940,860
Board designations:			
Approved spending from the endowment for next fiscal year's operations		5,540,265	5,437,443
		37,606,267	43,156,614
Liquidity resources:			
Bank line of credit		6,000,000	6,000,000
		6,000,000	6,000,000
Total financial assets and liquidity resources available within one year	$	43,606,267	49,156,614

The College's cash flows have seasonal variations during the year attributable to student billing. To manage liquidity, the College maintains a pool of short term U.S. government securities that are drawn upon as needed during the year to manage cash flows. The line of credit was not used in fiscal years 2024 and 2023.

In addition, as of May 31, 2024 and 2023, the College had an additional $35,022,602 and $31,929,872 in funds functioning as endowment, respectively, which is available for general expenditure with Board approval. The fiscal year 2025 spending from the endowment is expected to be approximately $5.6 million.

(3) Student Loans and Tuition Receivables

Student loans and tuition receivables are summarized as follows as of May 31, 2024 and 2023:

		2024	2023
Student loans	$	—	474,207
Tuition receivables		4,357,218	3,429,566
		4,357,218	3,903,773
Less allowance for credit losses		1,463,490	2,232,580
	$	2,893,728	1,671,193

(4) Contributions Receivable

Contributions receivable are summarized as follows as of May 31, 2024 and 2023:

		2024	2023
Contributions expected to be collected in:			
Less than one year	$	3,301,092	3,138,758
One year to five years		2,687,072	3,635,072
		5,988,164	6,773,830
Less unamortized discount (average interest rates of 4.62% and 3.98% for 2024 and 2023, respectively)		436,000	495,000
	$	5,552,164	6,278,830

As of May 31, 2024 and 2023, 89% and 93% of the gross contributions receivable were due from ten donors, respectively. In fiscal 2024 and fiscal 2023, 82% and 83% of contribution revenues were from ten donors, respectively.

As of May 31, 2024, the College had conditional promises to give aggregating $2,615,379, which have not been recognized as assets or revenues. If received, these gifts will generally be restricted for purposes as stipulated by the donors.

(5) Investments

Investments are summarized as follows as of May 31, 2024 and 2023:

	2024		
	Endowment funds	Other operating funds	Total
Money market funds	$ 9,049,592	51,258	9,100,850
U.S. government securities	—	4,473,906	4,473,906
Common and preferred stocks	10,382,716	—	10,382,716
Equity mutual and other funds	50,808,166	—	50,808,166
Fixed income mutual funds	21,946,913	4,685,572	26,632,485
International multistrategy funds	292,651		292,651
Private equity and real estate limited partnership interests	6,509,798	—	6,509,798
Hedge funds	18,415,561	—	18,415,561
	$ 117,405,397	9,210,736	126,616,133

	2023		
	Endowment funds	Other operating funds	Total
Money market funds	$ 1,259,714	316,763	1,576,477
U.S. government securities	—	4,209,772	4,209,772
Common and preferred stocks	8,900,478	—	8,900,478
Equity mutual and other funds	50,909,695	—	50,909,695
Fixed income mutual funds	21,701,517	4,414,325	26,115,842
International multistrategy funds	255,802	—	255,802
Private equity and real estate limited partnership interests	5,055,363	—	5,055,363
Hedge funds	17,198,160	—	17,198,160
	$ 105,280,729	8,940,860	114,221,589

Investments are professionally managed by outside investment management organizations, subject to direction and oversight by a committee of the Board. The Board has established investment policies and guidelines that cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of credit risk, credit quality of fixed income and short-term investments, and various other matters.

The table below summarizes private equity, limited partnership interests, and hedge funds, where NAV or its equivalent was used as a practical expedient for fair value, and certain attributes as of May 31, 2024 and 2023:

Investment	Fair value May 31 2024	Fair value May 31 2023	Unfunded commitments May 31, 2024	Redemption frequency	Redemption notice period
International multistrategy fund	$ 292,651	255,802	—	Not currently eligible	Not applicable
Multistrategy hedge funds of funds	18,415,561	17,198,160	—	Twice monthly, annually, quarterly or not currently eligible	15–95 days
Private equity and real estate limited partnership funds	6,509,798	5,055,363	—	Not currently eligible	Not applicable
	$ 25,218,010	22,509,325	—		

(a) International Multistrategy Fund

This category consists of one fund that pursues multiple strategies internationally to diversify risks and reduce volatility, including equity funds and private equity investments. As of May 31, 2024, this investment is in the process of being liquidated.

(b) Multistrategy Hedge Funds of Funds

This category consists of four funds that pursue multiple strategies to diversify risks and reduce volatility, including real estate and private equity credit event driven, merger arbitrage, fixed income and convertible arbitrage, and distressed debt and equity. Two investments, with a total value of $17,064 and $22,591 as of May 31, 2024 and 2023, respectively, are in the process of being liquidated. All investments will be eligible for redemption within one year.

(c) Private Equity and Real Estate Limited Partnership Funds

This category consists of four private funds that invest in technology and biotechnology companies and other large multistrategy equity buy outs or real estate projects. As of May 31, 2024, investments will be eligible for redemption within one to ten years.

(6) Fair Value Measurements

The fair values of the financial instruments represent management's best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in an orderly transaction between market participants at that date. The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted or published prices in active markets for identical assets or liabilities. The College's Level 1 money market funds, U.S. government securities, common and preferred stock, fixed income mutual funds, and certain equity mutual and other funds are determined using quoted market prices at the reporting date multiplied by the quantity on hand.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The College's Level 2 assets include debt securities with quoted prices for similar assets.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following tables present assets that are measured at fair value on a recurring basis as of May 31, 2024 and 2023:

	2024				
	Level 1	Level 2	Level 3	NAV[1]	Total
Investments:					
Money market funds	$ 9,100,850	—	—	—	9,100,850
U.S. government securities	4,473,906	—	—	—	4,473,906
Common and preferred stock	10,382,716	—	—	—	10,382,716
Equity mutual funds	50,808,166	—	—	—	50,808,166
Fixed income mutual funds	26,632,485	—	—	—	26,632,485
International multistrategy funds	—	—	—	292,651	292,651
Private equity and real estate limited partnership funds	—	—	—	6,509,798	6,509,798
Hedge funds	—	—	—	18,415,561	18,415,561
Total investments	$ 101,398,123	—	—	25,218,010	126,616,133
Other assets:					
Interest in funds held in trust by others	$ —	—	2,033,210	—	2,033,210
Deposits with bond trustees, debt securities	—	4,216,093	—	—	4,216,093

	2023					
		Level 1	Level 2	Level 3	NAV[1]	Total
Investments:						
Money market funds	$	1,576,477	—	—	—	1,576,477
U.S. government securities		4,209,772	—	—	—	4,209,772
Common and preferred stock		8,900,478	—	—	—	8,900,478
Equity mutual funds		50,909,695	—	—	—	50,909,695
Fixed income mutual funds		26,115,842	—	—	—	26,115,842
International multistrategy funds		—	—	—	255,802	255,802
Private equity and real estate limited partnership funds		—	—	—	5,055,363	5,055,363
Hedge funds		—	—	—	17,198,160	17,198,160
Total investments	$	91,712,264	—	—	22,509,325	114,221,589
Other assets:						
Interest in funds held in trust by others	$	—	—	1,840,846	—	1,840,846
Deposits with bond trustees, debt securities		—	3,457,591	—	—	3,457,591

(1) These investments are measured at fair value using NAV as a practical expedient and are not classified in the fair value hierarchy. The amounts presented in these tables are intended to permit reconciliation of the fair value hierarchy investments to investments presented on the balance sheets.

The fair value of interest in funds held in trust by others is determined using quoted market prices of the underlying securities at the reporting date multiplied by the quantity on hand. The fair value of deposits with bond trustees is based on observable inputs for similar assets, which are actively traded. The College owns an interest in the trust not the underlying holdings, which are nearly all marketable securities. The change in the fair value of the interest in funds held in trust by others from May 31, 2023 to May 31, 2024 is due to net unrealized gains of $300,447 and payments of $108,083.

There were no transfers between levels during the years ended May 31, 2024 and 2023.

(7) Property and Equipment

Property and equipment are summarized as follows as of May 31, 2024 and 2023:

		2024	2023
Buildings and improvements	$	246,067,230	244,168,895
Equipment and vehicles		52,717,769	52,103,093
Land		3,159,679	3,159,679
Library books and art work		3,038,652	2,886,152
Construction in progress		—	25,369
		304,983,330	302,343,188
Less accumulated depreciation		148,628,115	140,933,119
	$	156,355,215	161,410,069

(8) Leases

The College is committed to minimum annual rent payments under several long-term non-cancellable operating and capital leases for educational and office space through fiscal year 2029.

The components of lease-related assets and liabilities and their classification in the balance sheets as of May 31, 2024 and 2023 are as follows:

		2024	2023
Assets:			
Right of use assets, operating leases	$	378,867	510,172
Property and equipment, net		1,031	6,548
Total leased assets	$	379,898	516,720
Liabilities:			
Lease obligations, operating	$	419,741	510,172
Lease obligations, financing		1,031	6,548
Total lease liabilities	$	420,772	516,720

The components of lease expense in the statement of activities for the years ended May 31, 2024 and 2023 are as follows:

		2024	2023
Lease cost:			
Finance lease expense:			
Amortization of right-of-use assets	$	131,305	306,801
Operating lease expense		11,184	25,113
Total lease expense	$	142,489	331,914
Other information:			
Weighted-average remaining lease term-finance leases		0.30	0.62
Weighted-average remaining lease term-operating leases		1.65	1.95
Weighted-average discount rate-finance leases		7.22 %	6.92 %
Weighted-average discount rate-operating leases		1.95	6.92

The following table reconciles the undiscounted cash flows to the lease obligations recorded on the balance sheet as of May 31, 2024. Payments due include options to extend leases that are reasonably certain through fiscal year 2029 and are summarized below:

		Operating	Finance
Fiscal year:			
2025	$	304,078	1,105
2026		97,267	—
2027		9,575	—
2028		9,575	—
2029		6,383	—
Total minimum lease payments		426,878	1,105
Less amount of lease payments representing interest		7,137	74
Present value of future minimum lease payments	$	419,741	1,031

(9) Debt

Bonds payable includes loans issued primarily through Maryland Health and Higher Educational Facilities Authority and are summarized as follows as of May 31, 2024 and 2023:

	2024	2023
Series 2017 Revenue Bonds, 5%, principal payable annually beginning June 1, 2018 in varying amounts, maturing June 1, 2042	$ 15,995,000	16,290,000
Series 2016 Revenue Bonds, 3–5%, principal payable annually beginning June 1, 2018 in varying amounts, maturing June 1, 2042	36,615,000	36,865,000
Series 2012 Revenue Bonds, 4–5%, principal payable annually beginning June 1, 2013 in varying amounts, maturing June 1, 2047	26,035,000	27,115,000
	78,645,000	80,270,000
Unamortized premium and issue cost, net	3,150,975	3,485,910
	$ 81,795,975	83,755,910

The College capitalized and amortizes the original issue premium and issue costs related to applicable bond issues in a manner that approximates the interest method. Total amortization expense for issue costs and premiums was $334,935 and $354,035 for fiscal 2024 and 2023, respectively, and is netted with interest expense in the statements of activities.

The bond indenture requires the College to maintain certain financial ratio covenants. As of May 31, 2024, the College was in compliance with such covenants.

During 2024 and 2023, interest paid was $3,638,762 and $3,704,279, respectively. No interest was capitalized in 2024 and 2023.

As of May 31, 2024, principal debt payments are due as follows for the next five fiscal years:

2025	$ 2,425,000
2026	2,540,000
2027	2,665,000
2028	2,800,000
2029	2,935,000

The College maintains a $6,000,000 demand line of credit with a bank to support short-term borrowing needs. Borrowings under the line bear interest at a daily secured overnight financial rate plus 1.90%. The line of credit was not used in fiscal years 2024 and 2023.

(10) Net Assets

Net assets with donor restriction consist of the following as of May 31, 2024 and 2023:

	2024	2023
Restricted in perpetuity:		
Student financial aid	$ 35,569,335	34,085,879
Academic programming and professorships	16,962,938	16,231,138
Other	13,611,329	13,248,435
Total restricted in perpetuity	66,143,602	63,565,452
Purpose and time restricted:		
Pledges receivable	5,552,164	6,278,830
Other contributions	12,367,488	10,446,239
Unspent endowment gains	16,239,193	9,785,405
Annuity and life income funds	2,729,252	2,536,888
Student loan funds	—	257,548
Total purpose and time restricted	36,888,097	29,304,910
Total net assets with donor restriction	$ 103,031,699	92,870,362

Net assets released from restrictions include distributions appropriated from endowment funds and other contributions for which donor restrictions were met.

(11) Endowment

The College's endowment consists of 169 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor restrictions. Funds are generally restricted for use for scholarships, buildings and facilities, and other programs.

(a) Interpretation of Relevant Law

The Board has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the College to manage and invest the individual donor-restricted endowment funds in good faith and with prudence. The College classifies as restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not restricted is also classified as donor restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by the Act. The College considers the following factors in making a determination to appropriate or accumulate donor-restricted 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 of investments; (6) the other resources of the College; and (7) the investment policies of the College.

(b) Return Objectives, Risk Parameters, and Strategies

The College has investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a diversified manner that is intended to provide an average annual rate of return of approximately 5% in excess of the inflation rate (CPI-U), net of fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

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

The College has a policy of appropriating for distribution each year 5% of its endowment funds' average fair value using the prior 36 months through May 31 of the year in which the distribution is made. The College has a policy that permits spending from underwater endowment funds if the market value of the fund is greater than 75% of the original gift, unless otherwise precluded by the donor. In establishing these policies, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to or greater than planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

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

(d) Endowment Fund Activity

Endowment funds are reflected in the following net asset classes as of May 31, 2024:

	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds:			
Historical gift value	$ —	66,143,602	66,143,602
Accumulated gains	—	16,239,193	16,239,193
Board-designated endowment funds	35,022,602	—	35,022,602
Total endowed net assets	$ 35,022,602	82,382,795	117,405,397

Endowment funds are reflected in the following net asset classes as of May 31, 2023:

	Without donor restriction	With donor restriction	Total
Donor-restricted endowment funds:			
Historical gift value	$ —	63,565,452	63,565,452
Accumulated gains	—	9,785,405	9,785,405
Board-designated endowment funds	31,929,872	—	31,929,872
Total endowed net assets	$ 31,929,872	73,350,857	105,280,729

Changes in endowment net assets for fiscal years 2024 and 2023 are as follows:

	Without donor restriction	With donor restriction	Total
Endowment net assets, May 31, 2022	$ 34,411,802	74,943,969	109,355,771
Investment return:			
Interest and dividends	598,322	1,312,507	1,910,829
Net losses	(1,369,754)	(3,045,595)	(4,415,349)
Total investment return	(771,432)	(1,733,088)	(2,504,520)
Contributions	(9,950)	3,876,870	3,866,920
Appropriation of endowment assets for expenditure	(1,700,548)	(3,736,894)	(5,437,442)
Endowment net assets, May 31, 2023	31,929,872	73,350,857	105,280,729
Investment return:			
Interest and dividends	621,563	1,442,215	2,063,778
Net gains	3,858,305	8,883,188	12,741,493
Total investment return	4,479,868	10,325,403	14,805,271
Contributions	281,512	2,578,150	2,859,662
Appropriation of endowment assets for expenditure	(1,668,651)	(3,871,614)	(5,540,265)
Endowment net assets, May 31, 2024	$ 35,022,601	82,382,796	117,405,397

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the College to retain as a fund of perpetual duration. Deficiencies of this nature exist in 15 donor-restricted endowment funds as of May 31, 2024, which together have an original gift value of $6,494,437, a current fair value of $6,301,427 and a deficiency of $193,010. Deficiencies of this nature exist in 59 donor-restricted endowment funds as of May 31, 2023, which together have an original gift value of $34,580,013, a current fair value of $32,175,120 and a deficiency of $2,422,893.

(12) Retirement Plans

Retirement benefits are provided to faculty and other employees under a defined-contribution plan. All participants have a fully vested interest in the contributions made to their accounts, and the College has no liabilities under the plan other than its annual contribution of $2,387,101 and $2,693,250 in 2024 and 2023, respectively, which is calculated as a percentage of employees’ salaries.

The College also maintains a deferred compensation plan for certain executives.

(13) Functional Classification of Expenses

The College’s primary program service is instruction. Expenses reported as academic support, student services, institutional support, and auxiliary enterprises are in support of this primary program activity. Natural expense attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage.

Expenses by functional classification for the year ended May 31, 2024 consist of the following:

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and wages	$ 18,135,419	10,681,221	3,240,426	5,831,613	3,188,235	41,076,914
Fringe benefits	4,642,348	2,738,848	796,417	1,447,946	794,054	10,419,613
Contracted services	2,019,637	2,511,410	1,613,781	2,624,724	4,349,760	13,119,312
Depreciation	3,257,159	767,480	97,529	559,210	2,977,996	7,659,374
Interest	1,622,258	228,662	50,400	175,901	1,189,841	3,267,062
Utilities	1,181,330	265,994	30,400	352,505	1,011,790	2,842,019
Equipment, maintenance, and technology	692,409	593,958	29,750	345,530	955,936	2,617,583
Marketing and publications	1,257,033	1,353,662	12,663	41,826	81,647	2,746,831
Books, materials, and supplies	322,391	379,991	114,245	105,752	529,464	1,451,843
Other	258,153	798,279	148,969	1,073,511	90,012	2,368,924
Total expenses before severance costs	33,388,137	20,319,505	6,134,580	12,558,518	15,168,735	87,569,475
Severance costs	1,605,214	677,879	343,559	713,399	194,631	3,534,682
Total expenses	$ 34,993,351	20,997,384	6,478,139	13,271,917	15,363,366	91,104,157

Expenses by functional classification for the year ended May 31, 2023 consist of the following:

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Salaries and wages	$ 18,674,981	12,244,841	3,113,996	5,976,539	3,291,732	43,302,089
Fringe benefits	4,358,576	2,992,755	694,393	1,288,560	766,891	10,101,175
Contracted services	2,663,388	1,340,962	2,000,117	2,225,322	3,888,413	12,118,202
Depreciation	3,487,727	756,173	106,243	575,181	3,091,083	8,016,407
Interest	1,644,929	231,858	51,104	178,359	1,206,469	3,312,719
Utilities	1,159,551	213,353	44,064	337,906	909,494	2,664,368
Equipment, maintenance, and technology	610,661	522,670	26,891	324,139	976,471	2,460,832
Marketing and publications	1,456,180	505,394	7,390	43,278	92,179	2,104,421
Books, materials, and supplies	297,087	477,417	65,561	68,922	553,867	1,462,854
Other	394,740	844,705	58,462	957,875	35,282	2,291,064
	$ 34,747,820	20,130,128	6,168,221	11,976,081	14,811,881	87,834,131

(14) Commitments and Contingencies

Amounts received and expended by the College under various federal and state programs are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position of the College.

The College is occasionally a party to various litigation and other claims in the ordinary course of business. In the opinion of management, appropriate provision has been made for possible losses, where applicable, and the ultimate resolution of these matters will not have a significant effect on the financial position of the College.

The College and The Johns Hopkins University (JHU) jointly operate film study programs in a shared facility whereby all operating costs of that facility are split 50/50. As part of the College's joint management and collaboration agreement with JHU and a usage agreement between the Parkway Theatre and JHU, the College is required to reimburse the Parkway Theatre for a portion of its annual operating costs in exchange for minimum usage rights. The College's responsibility for its share of the Parkway Theatre's costs commenced upon the grand opening of the theatre in April 2017, and has a term of ten years.

In June 2016, the College entered into an agreement with the City of Baltimore to make annual nonprofit assessment payments, in lieu of taxes, of $69,554 for a period of ten years. The remaining commitment under this agreement totaled $139,108 as of May 31, 2024.

(15) Related Parties

Certain members of the Board of Trustees are affiliated with organizations that provide services to the College, primarily investment and architectural services. In the ordinary course of business, there are contributions or pledges made to the College by members of the Board of Trustees, officers, or other employees. All related party activity is conducted in accordance with the College's normal policies and procedures.

(16) Subsequent Events

In July of 2024, the College defeased the principal balance of the Series 2017 Bonds for $15,750,000 with a cash payment funded partially from operating cash and partially from a Board of Trustees approved release of principal from the Board-Designated endowment fund.

On July 31, 2024, the College issued $40,235,000 of new Bonds through Maryland Health and Higher Educational Facilities Authority. $24,905,000 of the proceeds were used to repay in full the principal due on the Series 2012 Bonds. The remaining funds were held by the Trustee to fund issuance costs and approximately $16,500,000 are currently held in trust in a Construction Fund for future capital improvements at the College.

The College evaluated subsequent events through October 28, 2024, the date of issuance of the financial statements, and determined that no additional matters required adjustment to or disclosure in the financial statements.