KPMG

THE NEW SCHOOL

Consolidated Financial Statements and
Supplementary Information on
Federal Awards Programs

June 30, 2019 and 2018

(With Independent Auditors' Report and
Reports on Internal Control and Compliance Thereon)

THE NEW SCHOOL

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KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors’ Report

The Board of Trustees
The New School:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The New School (the university), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The New School as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in note 2(l) to the consolidated financial statements, in 2019, the university adopted new accounting guidance, Accounting Standards Update Nos. 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and 2018-08, *Not for Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2019 on our consideration of the university's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the university's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the university's internal control over financial reporting and compliance.

KPMG LLP

October 24, 2019

THE NEW SCHOOL

Consolidated Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

Assets		**2019**	**2018**
Cash and cash equivalents	$	1,476	6,834
Student accounts receivable, net (note 3)		11,419	10,104
Contributions receivable, net (note 5)		31,892	27,927
Investments (note 4)		425,657	403,590
Deferred charges and other assets		20,659	18,717
Funds held by bond trustees (note 8)		22,946	22,515
Student loans receivable, net (note 3)		2,571	2,920
Land, buildings, and equipment, net (notes 6 and 7)		745,004	756,525
Total assets	$	1,261,624	1,249,132
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 7, 11, and 12)	$	74,007	71,029
Deferred revenue (note 3)		12,922	12,956
Federal Perkins student loan advances		1,601	1,636
Long-term debt, net (note 7)		595,443	606,402
Total liabilities		683,973	692,023
Commitments and contingencies (notes 4, 7, 11 and 12)			
Net assets (note 9):			
Without donor restrictions		360,950	352,009
With donor restrictions		216,701	205,100
Total net assets		577,651	557,109
Total liabilities and net assets	$	1,261,624	1,249,132

See accompanying notes to consolidated financial statements.

THE NEW SCHOOL

Consolidated Statements of Activities

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	2019	2018
Change in net assets without donor restrictions:		
Operating revenues:		
Student tuition and fees (net of scholarship allowance of $136,315 and $123,354 for the years ended June 30, 2019 and 2018, respectively) (note 3)	$ 314,035	295,297
Contributions	2,107	1,749
Grants and contracts	5,274	3,892
Endowment return appropriated for operations (notes 4 and 9)	9,924	9,500
Auxiliary activities (note 3)	48,014	47,100
Other income	18,672	19,765
Net assets released from restrictions (note 9)	29,378	34,267
Total operating revenues	427,404	411,570
Operating expenses (note 10):		
Instruction and departmental research	155,790	153,876
Sponsored research and public services	17,272	15,908
Academic support	91,312	82,746
Student services	33,341	31,188
Auxiliary activities	52,152	48,188
Institutional support	70,602	71,422
Total operating expenses	420,469	403,328
Change in net assets from operating activities before insurance recovery on casualty loss	6,935	8,242
Insurance recovery on casualty loss (note 6)	952	—
Change in net assets from operating activities	7,887	8,242

(Continued)

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Consolidated Statements of Activities

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Change in net assets from operating activities, brought forward	$	7,887	8,242
Nonoperating activities:			
Endowment return (notes 4 and 9)		11,354	18,000
Endowment return appropriated for operations (notes 4 and 9)		(9,924)	(9,500)
Other, net		(376)	837
Change in net assets without donor restrictions		8,941	17,579
Change in net assets with donor restrictions:			
Contributions		28,940	30,206
Grants and contracts		5,485	4,831
Endowment return (notes 4 and 9)		6,584	10,774
Other, net		(30)	(187)
Net assets released from restriction (note 9)		(29,378)	(34,267)
Change in net assets with donor restrictions		11,601	11,357
Change in net assets		20,542	28,936
Net assets at beginning of year		557,109	528,173
Net assets at end of year	$	577,651	557,109
Certain amounts disaggregated above are presented below in the aggregate:			
Contributions	$	31,047	31,955
Endowment return		17,938	28,774
Endowment return appropriated for operations		16,224	15,519

See accompanying notes to consolidated financial statements.

THE NEW SCHOOL

Consolidated Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

		2019	2018
Cash flows from operating activities:			
Change in net assets	$	20,542	28,936
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation		29,239	28,474
Provision for uncollectible student receivables		2,964	2,941
Amortization of net bond premium and deferred charges		(1,219)	(1,219)
Net realized and unrealized gain on investments		(24,278)	(35,054)
Insurance recovery on casualty loss		(952)	—
Contributions and grants restricted for:			
Investment in endowment		(11,388)	(3,460)
Investment in capital projects		—	(75)
Changes in operating assets and liabilities:			
Student accounts receivable		(4,279)	(3,115)
Contributions receivable		1,114	(1,302)
Deferred charges and other assets		(4,125)	(5,447)
Accounts payable and accrued expenses		2,983	3,660
Deferred revenue		(34)	1,557
Net cash provided by operating activities		10,567	15,896
Cash flows from investing activities:			
Purchase of investments		(323,412)	(238,902)
Proceeds from sales of investments		325,623	251,153
Purchase of fixed assets		(17,718)	(20,374)
Proceeds from insurance recoveries		3,135	1,250
Change in accounts payable for fixed assets		(5)	(704)
Student loans issued		—	(452)
Student loans collected		349	415
Net cash used in investing activities		(12,028)	(7,614)
Cash flows from financing activities:			
Payments on long-term debt		(9,740)	(8,105)
Change in funds held by bond trustees		(431)	(1,452)
Change in contributions receivable restricted for endowment		(6,229)	2,331
Change in contributions receivable restricted for capital projects		1,150	485
Contributions restricted for endowment		11,388	3,460
Contributions restricted for capital projects		—	75
Change in Federal Perkins student loan advances		(35)	(15)
Net cash used in financing activities		(3,897)	(3,221)
Net change in cash and cash equivalents		(5,358)	5,061
Cash and cash equivalents – beginning of year		6,834	1,773
Cash and cash equivalents – end of year	$	1,476	6,834
Supplemental information – interest paid	$	24,158	24,530

See accompanying notes to consolidated financial statements.

(1) The University

The New School was founded in 1919 by a group of scholars, journalists, and civic leaders who imagined an educational venue where they could freely discuss their ideas and where dialogue could take place between intellectuals and the public. Originally devoted to exploring the pressing social, political, and economic problems of the day, The New School has since expanded its focus to embrace the arts and culture. Today, The New School offers bachelors and masters programs in the visual and performing arts in addition to bachelors, masters, doctorate, and certificate programs in the liberal arts, social sciences, and management and urban policy.

The New School comprises five colleges. They are Parsons School of Design, Eugene Lang College of Liberal Arts, College of Performing Arts, The New School for Social Research, and Schools of Public Engagement.

During 2014, The New School formed an entity, TNS Parsons, for its campus in Paris, France. The consolidated financial statements of The New School include the accounts of this affiliate (collectively referred to as the university).

The university is accredited by the Middle States Association of Colleges and Schools.

(2) Summary of Significant Accounting Policies

(a) Net Asset Classifications

The university's consolidated financial statements are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). All material intercompany transactions and balances have been eliminated. While the underlying accounts of the university are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the university and to reflect how the university manages resources, the accompanying consolidated financial statements present the financial position, activities, and cash flows of the university as a whole. The university's resources are classified and reported in the accompanying consolidated financial statements within separate classes of net assets based on the existence or absence of donor-imposed restrictions as follows:

With donor restricted net assets contain donor-imposed restrictions that stipulate the resources be maintained permanently, but permit the university to use the income from the resources for either specified or unspecified purposes. Also included in this category are net assets that permit the university to use or expend the assets as specified by the donor. The restrictions are satisfied either by the passage of time or by action of the university.

Without donor restricted net assets are not restricted by donors, or the donor-imposed restrictions have been satisfied or expired. The university's Board of Trustees has designated a portion of the net assets without donor restrictions for long-term investment (quasi-endowment) and other purposes. In addition, from time to time, the Board of Trustees may designate a portion of net assets without donor restrictions for a specified use.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions are reported as net assets released from restrictions.

(b) Cash Equivalents

Cash equivalents consist of money market funds and highly liquid financial instruments with an initial maturity of three months or less, except for those held by the university's investment managers as part of their long-term investment strategies.

(c) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost or, if acquired by gift, at appraised value at date of donation. Costs of building alterations are capitalized. Costs of repairs and maintenance are expensed.

Depreciation is calculated on the straight-line basis over the estimated useful lives of the related assets as follows:

	Estimated useful life
Buildings	40–75 years
Building improvements	15–30 years
Leasehold improvements	Lease term
Furniture and equipment	5 years
Computer equipment	3 years

(d) Art Collection

The university's art collection consists of works of art, including prints, paintings, photographs, and sculptures that are held for the purposes of public exhibition, education, and research. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed by the university's curators.

The art collection, which was acquired through purchases and contributions since the university's inception, is not recognized as an asset in the consolidated balance sheets. Purchases of collection items are recorded as expenses and contributed collection items are not reported as contributions. Proceeds from sales are reflected as increases in net assets without donor restrictions.

(e) Contributions and Contributions Receivable

Contributions, including grants, contracts, and unconditional promises to give (pledges), are recognized as revenues in the period received. Contributions with purpose or time restrictions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Contributions subject to donor imposed stipulations that the corpus be maintained permanently are also recognized as increases in net assets with donor restrictions. Unconditional promises to give are recognized initially at fair value as contributions revenue in the period such promises are made by donors. Fair value is estimated giving consideration to anticipated future cash receipts (after allowance is made for uncollectible contributions) and discounting such amounts at a risk-adjusted rate commensurate with the duration of the donor's payment plan. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible contributions is reassessed and adjusted if necessary. Amortization of the discount is recorded as additional contribution revenue.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. The total of the university's conditional contributions at June 30, 2019 was approximately $29,000.

(f) Split Interest Agreements

The university is the beneficiary of several split interest arrangements that require the instruments be recorded as revenue and net assets at the present value of the university's interest.

At June 30, 2019 and 2018, assets associated with split interest gifts approximate $410 and $1,497, respectively, including a life estate interest of $1,100 at June 30, 2018.

(g) Fair Value of Financial Instruments

Fair value is defined as 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. It prioritizes the inputs to the valuation techniques used to measure fair value by giving 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 level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The three levels of the fair value hierarchy are as follows:

> *Level 1* – Valuation inputs include published net asset value (NAV) or quoted prices (unadjusted) in active markets for identical assets or liabilities that the university has the ability to access at measurement date.
>
> *Level 2* – Valuation inputs are inputs other than quoted prices included in Level 1 that are either directly or indirectly observable for the assets or liabilities.
>
> *Level 3* – Valuation inputs are unobservable inputs for the assets or liabilities.

Assets, which the university reports at fair value on a recurring basis are investments and funds held by bond trustees.

(h) Advertising Costs

Advertising expenses reflected in the consolidated statements of activities totaled $4,566 and $4,418 for fiscal years 2019 and 2018, respectively.

(i) Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in the preparation of the consolidated financial statements include valuation of investments at fair value and estimated net realizable value of receivables. Actual results could differ from those estimates.

(j) Income Taxes

The university is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code, except for any unrelated business income activities. The university recognizes the effects of income tax positions only if those positions are more likely than not of being sustained. The university evaluates, on an annual basis, the effects of any uncertain tax positions on its consolidated financial statements. As of June 30, 2019 and 2018, the university has not identified or provided for any such positions.

(k) Operations

The consolidated statements of activities present the changes in net assets, distinguishing between operating and nonoperating activities. Operating activities principally include all revenue and expenses that relate to the university's educational programs, research, training, and supporting activities. Operating revenues include the investment return pursuant to the university's spending policy and earned on working capital funds. Operating revenues also include all contributions, except those that contain donor imposed restrictions.

The university has defined nonoperating activities principally to include endowment investment return net of amounts distributed to support operations in accordance with the endowment spending policy (note 9), contributions subject to donor imposed restrictions, net assets released from restrictions for capital expenditure, and activity related to annuity and unitrust agreements. Certain other gains, losses or transactions considered to be of a more unusual or nonrecurring nature are also included as part of nonoperating activities.

(l) New Accounting Pronouncements

(i) Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The University adopted the main provisions of this guidance in 2019 which include presentation of two classes of net assets rather than the previously required three: net assets without donor restrictions, previously reported as unrestricted net assets of $351,801, and net assets with donor restrictions, previously reported as temporarily restricted net assets of $106,278 and permanently restricted net assets of $99,030, in 2018. The guidance also requires the recognition of underwater endowment funds as a reduction in net assets with donor restrictions and enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

As a result of the adoption of the ASU, the university reclassified prior year underwater endowments of $208 from net assets without donor restrictions to net assets with donor restrictions.

(ii) The university adopted ASU No. 2014-09*, Revenue from Contracts with Customers (Topic 606)* which requires the university to recognize revenue when it transfers control of promised goods and services in 2019. Revenue is recognized in an amount that reflects the consideration the university expects to receive in exchange for those goods or services. The ASU also requires the university to disclose sufficient quantitative and qualitative information to enable users of the consolidated financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Management has determined that this ASU did not significantly impact the university's consolidated financial statements.

(iii) The university adopted ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* in 2019. This ASU clarifies and improves the scope and accounting guidance for contributions received and contribution made. Management has determined that this ASU did not significantly impact the university's consolidated financial statements.

(iv) ASU No. 2016-02, *Leases (Topic 842)* – This guidance, effective for the university's fiscal year ending June 30, 2020, is designed to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. The university is currently evaluating the impact of this ASU and expects to apply it using the modified retrospective approach for the year ending June 30, 2020.

(m) Reclassifications

Certain reclassifications of 2018 amounts have been made to conform to the 2019 presentation.

(3) Student Services

(a) Tuition and Auxiliary Activities

Tuition and fees, and room and board revenues are recognized in the fiscal year in which the academic programs and residential services are delivered. Institutional scholarships awarded to students reduce the amount of tuition and fees revenue recognized. Room and board revenues are reported in auxiliary activities in the accompanying consolidated statements of activities. Payments for tuition and fees and residential services are due prior to the start of the academic term in accordance with the university's due dates. Generally, students who adjust their course load or withdraw completely within one to four weeks of the academic term may receive a full or partial refund in accordance with the university's refund policy. Refunds issued reduce the amount of revenue recognized.

(Dollars in thousands)

The university provides academic instruction toward baccalaureate degrees. The university serves approximately 10,400 students, comprising of 7,300 undergraduates and 3,100 in graduate programs. Approximately 20% of the students are residents of New York, 46% are from outside New York, and 34% are from countries outside the United States.

(b) Scholarship Allowance

Student tuition and fees are presented net of amounts awarded to students to defray their costs of attending the university as follows:

		2019	2018
University support	$	130,017	115,326
Sponsored support		6,298	8,028
	$	136,315	123,354

University support includes tuition discounts, financial aid, and merit scholarships awarded to students from operating resources with no donor restrictions. Sponsored support includes financial aid and scholarships funded from restricted and external sources.

(c) Student Accounts and Loans Receivable

Student accounts and loans receivable consisted of the following at June 30, 2019 and 2018:

		2019	2018
Student accounts receivable:			
Student accounts receivable	$	29,130	26,287
Less allowance for uncollectible accounts		(17,711)	(16,183)
	$	11,419	10,104
Student loans receivable:			
Student loans (Perkins loans)	$	4,549	4,860
Less allowance for uncollectible loans		(1,978)	(1,940)
	$	2,571	2,920

(d) Deferred Revenue

The university recognizes revenue from student tuition and fees within the fiscal year in which the academic term is conducted as performance obligations are satisfied. Amounts collected in advance of such revenue recognition are deferred.

(Continued)

(Dollars in thousands)

Other liabilities primarily include amounts received in advance for services, which are recognized as performance obligations are satisfied, and tenant improvement allowances from a landlord, which are recognized over the life of the contract.

As of June 30, deferred revenues and other liabilities consisted of the following:

	2019	2018
Deferred student tuition and fees	$ 6,195	6,001
Other liabilities	6,727	6,955
	$ 12,922	12,956

(4) Investments

Investments at fair value consisted of the following at June 30, 2019 and 2018:

	2019	2018
Endowment investments:		
Cash and cash equivalents	$ 29,354	15,886
Public equity	137,089	152,648
Fixed income	36,900	53,909
Hedge funds	152,393	115,465
Private equity	21,894	15,393
Real assets	20,837	35,316
	398,467	388,617
Operating and other investments:		
Cash and cash equivalents	24,287	12,077
Public equity	167	163
Fixed income	71	68
Real assets	2,665	2,665
	27,190	14,973
	$ 425,657	403,590

Investments in debt and equity securities with readily determinable fair values are reported at fair value based upon quoted market prices or published NAV for investments in funds with characteristics similar to a mutual fund.

In addition to traditional equities and fixed income securities, the university holds shares or units in alternative investment funds involving fixed income, hedged, private equity, and real asset strategies. The estimated fair values of these investments, are, as a practical expedient, based on NAV provided by the fund managers. These values are reviewed and evaluated by the university's management. The reported value may differ significantly from the values that would have been reported had a ready market for these investments existed. Information with respect to investment strategies, redemption terms, and funding commitments for these investments is as follows:

Fixed Income – Fixed income includes investment grade and high yield funds. It is comprised of a limited liability partnership that invests primarily in domestic middle market companies, a global multi-sector strategy fund with a selection of undervalued securities, and a bond fund composed of shorter-duration U.S. government, agencies, and instrumentality obligations. The redemption periods for these fixed income funds range from annually to no redemption. Remaining commitments to funds in this category total $1,860 as of June 30, 2019.

Hedge Funds – Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, and are valued accordingly. Hedged strategies generally seek to benefit from opportunities as they occur in the markets due to temporary dislocations or structural inefficiencies. The university's hedge funds are mostly long/short but also include event-driven and equity oriented. The redemption periods for these hedge funds range from monthly to no redemption. There are no remaining commitments to funds in this category total as of June 30, 2019.

Private Equity – Private equity funds employ buyout and venture capital strategies and may focus on investments in turn-around situations. Positions focus on the purchase, development, improvement, and management of companies that are not publicly traded on a stock exchange. These investments are made through limited partnerships that have a limited existence, generally 10 years. Under the terms of the agreements, the university is obligated to remit additional funding periodically as capital calls are exercised by the manager. Distributions are made to investors through the liquidation of the underlying assets. Remaining commitments to funds in this category total $35,186 as of June 30, 2019.

Real Assets – The university's real assets principally comprise of commodities, global infrastructure and real estate. The commodity position mirrors the price of gold. The real estate investment strategies include the purchase and management of global residential, commercial, and industrial real estate with value attempted to be realized through both improved operations and gains on eventual sale. Global infrastructure is a fund invested in securities of publicly traded infrastructure companies. Remaining commitments in this category total $17,643 as of June 30, 2019.

The university uses foreign currency spots/forward contracts to manage risks generally associated with foreign exchange rate market volatility. The hedge is designed to protect against a material rise in the euro. At June 30, 2019 and 2018, the fair market value of these contracts which is included in other income on the consolidated statement of activities resulted in an unrealized loss of $441 and $144, respectively.

(Dollars in thousands)

Investment return on endowment, euro hedge positions, operating, and other investments; funds held by the bond trustees; and cash equivalents, and its classification in the consolidated statements of activities, is as follows:

		2019		
		Without donor restrictions	**With donor restrictions**	**Total**
Investment return has been allocated as follows:				
Operating, pursuant to the university's endowment spending policy	$	9,924	6,300	16,224
Operating, other income (loss)		(129)	12	(117)
Nonoperating investment activity		1,430	284	1,714
Total investment return, net	$	11,225	6,596	17,821

		2018		
		Without donor restrictions	**With donor restrictions**	**Total**
Investment return has been allocated as follows:				
Operating, pursuant to the university's endowment spending policy	$	9,500	6,019	15,519
Operating, other income (loss)		(405)	14	(391)
Nonoperating investment activity		8,500	4,755	13,255
Total investment return, net	$	17,595	10,788	28,383

(Dollars in thousands)

The following tables summarize investments at June 30, 2019 and 2018. Certain investments that are reported using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets:

	2019			
	Level 1	**Level 3**	**Total**	**Redemption/ liquidation**
Cash and cash equivalents	$ 53,641	—	53,641	Daily
Equity securities:				
Domestic	53,158	—	53,158	Daily
Emerging markets	14,930	—	14,930	Daily
Global	3,718	—	3,718	Daily
	71,806	—	71,806	
Fixed income:				
U.S. government – backed	71	—	71	Daily
	71	—	71	
Real assets:				
Commodities	8,590	—	8,590	Daily
Global infrastructure	7,601	—	7,601	Daily
Real estate	—	2,665	2,665	N/A
	16,191	2,665	18,856	
Investments measured at net asset value:				
Fixed income			36,900	Annual to no redemptions
Hedge funds			152,393	Monthly to no redemptions
Private equity			21,894	No redemptions
Public equity			65,450	Daily to semi-annual
Real estate			4,646	No redemptions
			281,283	
Total	$ 141,709	2,665	425,657	

(Dollars in thousands)

	2018			
	Level 1	**Level 3**	**Total**	**Redemption/ liquidation**
Cash and cash equivalents	$ 27,963	—	27,963	Daily
Equity securities:				
Domestic	70,417	—	70,417	Daily
International	27,834	—	27,834	Daily
Emerging markets	20,855	—	20,855	Daily to monthly
Global	26,234	—	26,234	Daily to monthly
	145,340	—	145,340	
Fixed income:				
Investment grade	22,529	—	22,529	Daily
U.S. government – backed	68	—	68	Daily
	22,597	—	22,597	
Real assets:				
Commodities	16,713	—	16,713	Daily
Global infrastructure	13,742	—	13,742	Daily
Real estate	—	2,665	2,665	N/A
	30,455	2,665	33,120	
Investments measured at net asset value:				
Fixed income			31,380	Annual to no redemptions
Hedge funds			115,465	Monthly to no redemptions
Private equity			15,393	No redemptions
Public equity			7,471	Semi-annual
Real estate			4,861	No redemptions
			174,570	
Total	$ 226,355	2,665	403,590	

(Continued)

(Dollars in thousands)

Investments at June 30, 2019 and 2018 are summarized in the following tables by their investment liquidity profile:

	2019			2018		
	Endowment	**Operating**	**Total**	**Endowment**	**Operating**	**Total**
Daily	$ 147,342	24,525	171,867	180,397	12,308	192,705
Monthly	87,042	—	87,042	75,944	—	75,944
Quarterly	63,655	—	63,655	47,725	—	47,725
Semi-annual	7,178	—	7,178	7,471	—	7,471
Annual	32,432	—	32,432	26,892	—	26,892
Illiquid	60,818	2,665	63,483	50,188	2,665	52,853
Total	$ 398,467	27,190	425,657	388,617	14,973	403,590

(5) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2019 and 2018:

	2019	**2018**
Amounts expected to be collected:		
In one year or less	$ 15,115	15,322
In one year to five years	11,352	11,453
In more than five years	11,870	5,430
	38,337	32,205
Less:		
Allowance for uncollectible amounts	(4,483)	(3,204)
Discount to present value (at rates ranging from 0.11% to 5.15%)	(1,962)	(1,074)
	$ 31,892	27,927

The amounts receivable from 10 donors represent approximately 70% and 71% of the gross receivables as of June 30, 2019 and 2018, respectively.

(Dollars in thousands)

(6) Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at June 30, 2019 and 2018:

	2019	2018
Land and air rights	$ 81,107	81,107
Buildings and building improvements	754,823	748,694
Leasehold improvements	79,219	78,858
Furniture and equipment	56,426	54,982
Construction in progress	13,635	5,978
	985,210	969,619
Less accumulated depreciation	(240,206)	(213,094)
Total land, buildings, and equipment – net	$ 745,004	756,525

On April 2, 2018, a fire occurred at one of the university's properties. The assets lost in the fire were fully depreciated. Following the incident, the university filed insurance claims. The university received claim advances totaling $3,135 during the year ended June 30, 2019, resulting in a gain from casualty loss of $952.

(7) Debt

Long-term debt consisted of the following at June 30, 2019 and 2018:

Description	Maturity date	Interest rate	2019	2018
Dormitory Authority of the State of New York Revenue Bonds:				
Series 2016A	July 1, 2050	3.00%–5.00%	$ 316,040	316,040
Series 2016B	July 1, 2038	3.00%–5.00%	81,685	84,615
Series 2015	July 1, 2050	3.00%–5.00%	119,545	121,185
Series 2011	July 1, 2031	4.00%–5.00%	27,050	28,475
Series 2010	July 1, 2020	5.00%–6.00%	8,450	12,195
			552,770	562,510
Less:				
Unamortized bond issuance costs			(3,792)	(4,049)
Unamortized discount			(392)	(493)
Add unamortized premium			46,857	48,434
			$ 595,443	606,402

In November 2016, the university issued $316,040 Series 2016A tax-exempt serial and term bonds, and $86,420 Series 2016B taxable serial and term bonds through the Dormitory Authority of the State of New York (the Dormitory Authority). The bonds financed the acquisition of a commercial building for use by the university and advance refund Series 2010 bonds ($244,000) with maturities in fiscal years 2021 through 2050. Net premiums received at the time of issuance of the 2016 bonds totaled $34,172 ($31,465 unamortized at June 30, 2019). The Series 2016A serial bonds are due in varying annual installments commencing in fiscal years 2022 through 2038. The term bonds are due in fiscal years 2042, 2044, 2047 and 2051. The Series 2016B serial bonds are due in varying annual installments commencing in fiscal years 2018 through 2027. The one term bond is due in fiscal year 2039. The university pledged tuition and fee revenue in connection with the issuance. There are no related mortgage pledges or financial covenants.

In May 2015, the university issued $124,290 Series 2015 tax-exempt serial and term bonds through the Dormitory Authority to current refund Series 1999, Series 2001 and Series 2005 bonds and advance refund Series 2006 and a portion of Series 2010 bonds. The serial bonds are due in varying annual installments through fiscal year 2036. Term bonds are due in fiscal years 2041, 2046, and 2051. The university pledged tuition revenues and executed mortgages on properties located at 22-26 East 14th Street, 72 Fifth Avenue and 116-118 West 13th Street, and a security interest in certain fixtures, furnishings, and equipment located in or used in connection with these properties. This collateral is shared on a pro-rata basis among the Series 2015 bonds and the remaining outstanding Series 2011 bonds.

In October 2011, the university issued $35,480 Series 2011 tax-exempt serial and term bonds through the Dormitory Authority to cash defease a portion of the outstanding Series 1999 and Series 2001 issues. The serial bonds are due in varying annual installments through fiscal year 2027. Term bonds are due in fiscal years 2024, 2026, and 2032.

In November 2010, the university entered into a loan agreement with the Dormitory Authority to issue $301,055 in tax-exempt serial and term bonds to finance the construction of the University Center, which is an academic building and a 617-bed dormitory on top of the academic floors, located at 65 Fifth Avenue. The remaining serial bonds are due in varying annual installments through 2020. The university executed a mortgage on 65 Fifth Avenue as collateral for the loan.

The Series 2015, 2011, and 2010 loan agreements require the university to maintain an asset maintenance ratio in which a percentage of net assets without donor restrictions, excluding net investment in plant, plus spendable net assets to total long-term debt outstanding must be at least 40%. At June 30, 2019, the university was in compliance.

For the years ended June 30, 2019 and 2018, interest expense totaled $23,962 and $24,368, respectively. At June 30, 2019 and 2018, interest payable included in accounts payable and accrued liabilities was $12,490 and $12,686, respectively.

(Continued)

(Dollars in thousands)

At June 30, 2019, aggregate principal maturities of long-term debt for each of the next five fiscal years and thereafter are as follows:

Fiscal year ending June 30:		
2020	$	10,320
2021		10,735
2022		11,685
2023		10,265
2024		10,560
Thereafter		499,205
	$	552,770

Short-Term Debt

On June 10, 2016, the university entered into a margin agreement with its investment custodian to loan up to 50% of custodial liquid investments with interest payable at a rate equal to the London Interbank Offered Rate (LIBOR) plus 0.35% to be secured by mutual, bond and exchange-traded funds. No borrowings were outstanding as of June 30 2019 or 2018.

The university established a $25,000 unsecured line of credit with a bank in May 2011, renewable annually. Amounts borrowed under the credit line are payable within one year with interest payable at a rate equal to LIBOR plus 0.7%. The LIBOR is one, two, three or six months as selected by the university. The loan will automatically convert to a prime rate if the university does not select a LIBOR duration at least three business days prior to the date of borrowing. No borrowings were outstanding as of June 30, 2019 or 2018.

(8) Funds Held by Bond Trustees

Debt service funds held by the bond trustees consisted of the following at June 30, 2019 and 2018:

		2019	2018
Cash and cash equivalents	$	3	125
U.S. Treasury securities		22,943	22,390
	$	22,946	22,515

The funds held by bond trustees at June 30, 2019 and 2018 are reported at fair value and are classified as Level 1 in the fair value hierarchy.

(Dollars in thousands)

(9) Net Assets

Net assets consisted of the following at June 30, 2019 and 2018:

	2019	2018
Without donor restrictions:		
Board-designated endowment	$ 245,868	244,186
Other board-designated	295	380
Net investment in plant	172,507	172,638
Undesignated	(57,720)	(65,195)
	360,950	352,009
With donor restrictions:		
Subject to expenditure when a specified event occurs:		
Scholarships	4,110	3,870
Education and research	25,323	20,442
Contribution receivable	20,050	22,006
Other	3,108	5,130
Building construction and equipment	287	287
Split-Interest agreements	410	1,497
	53,288	53,232
Endowment returns subject to future to appropriations:		
Scholarships	16,864	16,601
Education and research	34,270	34,486
General activities	1,915	1,751
	53,049	52,838
Total net assets restricted by time or purpose	106,337	106,070
Amounts with perpetual restrictions:		
Scholarships	27,238	25,135
Education and research	63,073	60,034
General activities	10,029	9,939
Contribution receivable	10,024	3,922
Total net assets with perpetual restrictions	110,364	99,030
Total net assets with donor restrictions	216,701	205,100
Total net assets	$ 577,651	557,109

(Continued)

Endowment

The university's endowment is composed of 319 individual funds established for a variety of purposes, including scholarships, professorships, faculty development, lectures, and research programs. The endowment consists of both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds functioning as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The university has interpreted New York's September 2010 enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), referred to as "NYPMIFA," as allowing the appropriation for expenditure or accumulation of an endowment fund as the university determines it prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. The university classifies as net assets with donor restrictions, (a) the original value of gifts donated to the endowment; (b) the original value of subsequent gifts to the endowment; and (c) respective accumulations of income to the endowment made in accordance with the direction of the applicable donor gift instruments, if any, on an individual endowment fund is classified as net asset with donor restrictions until appropriated by the university.

In accordance with NYPMIFA, the Board of Trustees considers the following factors in making a determination to appropriate or accumulate endowment funds:

- Endowment duration and preservation
- Purpose/mission of the institution and endowment
- General economic conditions
- Effect of inflation or deflation
- The expected total return from income and the appreciation of investments
- The university's total resources
- The university's investment policy
- An asset's special relationship or special value, if any, to the purposes of the university

NYPMIFA allows spending from underwater endowments, unless precluded by donors, but requires that the university consider alternatives to spending such funds in addition to the aforementioned criteria.

The university's individual endowment funds are pooled for investment purposes. The investment portfolio is managed to achieve a prudent long-term return. The university 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 university targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets are invested to provide a real total return that preserves the purchasing power of the endowment while generating an income stream to support the academic activities of the university. Actual returns may vary from this goal in any given year.

(Dollars in thousands)

The university's endowment spending policy is designed to provide a sustainable and predictable flow of funds to support annual operations. The spending policy is intended to balance current spending needs and to preserve the endowment's future purchasing power. The university applies a board specified spending rate to a moving average of endowment investment funds. The purpose of using a moving average is to smooth out any wide fluctuations in the market value. Endowment earnings in excess of the spending rate are added back to the principal of the endowment investments.

Prior to fiscal year 2012, the board specified spending rate was 5%. Beginning with fiscal year 2012, the spending rate was reduced to 4% using a "soft landing" approach. The fiscal year 2011 appropriation will be used as the annual appropriation for the existing endowment funds until the value of those funds increases sufficiently over time to result in an effective 4% spending rate. New funds are appropriated at the 4% spending rate calculated on the previous 16 quarters' fair value.

In accordance with the spending policy, $16,224 and $15,519 of endowment return was made available in fiscal years 2019 and 2018, respectively, to support operations of the university.

The following tables present the university's endowment, exclusive of pledges, as of and for the years ended June 30, 2019 and 2018:

	2019		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	153,389	153,389
Board-designated endowment funds	245,868	—	245,868
Total endowment net assets	$ 245,868	153,389	399,257

	2018		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	147,946	147,946
Board-designated endowment funds	244,186	—	244,186
Total endowment net assets	$ 244,186	147,946	392,132

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, as of June 30, 2018	$	244,186	147,946	392,132
Net investment return		11,354	6,584	17,938
Contributions, net		—	5,159	5,159
Appropriation for spending		(9,924)	(6,300)	(16,224)
		252	—	252
Endowment net assets, as of June 30, 2019	$	245,868	153,389	399,257

Changes in endowment net assets for the year ended June 30, 2018 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, as of June 30, 2017	$	230,673	137,355	368,028
Net investment return		17,955	10,819	28,774
Contributions, net		—	5,791	5,791
Appropriation for spending		(9,500)	(6,019)	(15,519)
Transfer to board-designated funds		5,058	—	5,058
Endowment net assets, as of June 30, 2018	$	244,186	147,946	392,132

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the university to retain as a fund of perpetual duration. In accordance with U.S. generally accepted accounting principles, the deficiencies of this nature that are reported in net assets with donor restrictions totaled $188 and $208 at June 30, 2019 and 2018, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions which in accordance with the donors' intent, are maintained permanently, or other endowment funds where the cumulative appropriation has exceeded the accumulated appreciation; the university suspends spending endowed funds if spending appropriations, as determined under the spending policy, exceed the accumulated appreciation.

At June 30, 2019, the amount by which funds was underwater was calculated as follows:

Aggregate original gift amount	$	1,526
Aggregate fair value		(1,338)
Aggregate deficiency	$	188

(Dollars in thousands)

Net Assets Released from Restrictions

Net assets were released from donor restrictions due to the passage of time or by incurring costs satisfying the restricted purposes specified by the donors for fiscal years 2019 and 2018 as follows:

		2019	2018
Scholarships and departmental activities	$	28,480	28,206
Payments received on pledges		898	6,061
Total net assets released from restrictions	$	29,378	34,267

(10) Expenses

Expenses by functional classification for fiscal years 2019 and 2018 are as follows:

		2019					
Functional expenses		**Salaries and benefits**	**Occupancy costs**	**General business expenses**	**Professional services**	**Interest and depreciation**	**Total**
Instruction and departmental research	$	119,831	11,826	4,068	2,272	17,793	155,790
Sponsored research and public services		7,828	642	3,841	4,560	401	17,272
Academic support		62,960	7,216	9,275	2,738	9,123	91,312
Student services		22,967	1,824	2,396	4,714	1,440	33,341
Auxiliary activities		7,386	20,629	5,731	866	17,540	52,152
Institutional support		38,103	5,258	15,069	5,268	6,904	70,602
Total	$	259,075	47,395	40,380	20,418	53,201	420,469

		2018					
Functional expenses		**Salaries and benefits**	**Occupancy costs**	**General business expenses**	**Professional services**	**Interest and depreciation**	**Total**
Instruction and departmental research	$	117,520	13,407	3,194	1,423	18,332	153,876
Sponsored research and public services		7,278	662	3,371	4,294	303	15,908
Academic support		56,122	6,981	8,696	2,617	8,330	82,746
Student services		21,519	1,956	2,505	3,767	1,441	31,188
Auxiliary activities		7,972	17,754	4,680	315	17,467	48,188
Institutional support		37,732	5,338	13,787	7,596	6,969	71,422
Total	$	248,143	46,098	36,233	20,012	52,842	403,328

(Dollars in thousands)

Operations and maintenance of plant, including interest and depreciation, are allocated based upon square footage across the functional expense categories as follows:

		2019			2018	
Functional expenses	**Interest**	**Operation and maintenance of plant**	**Depreciation**	**Interest**	**Operation and maintenance of plant**	**Depreciation**
Instruction and departmental research	$ 6,619	19,485	11,174	7,381	20,051	10,951
Sponsored research and public services	143	966	258	62	917	241
Academic support	4,002	9,417	5,121	3,582	8,222	4,748
Student services	444	2,510	996	458	2,470	983
Auxiliary activities	10,734	6,663	6,806	10,862	7,269	6,605
Institutional support	2,020	8,259	4,884	2,023	8,116	4,946
Total	$ 23,962	47,300	29,239	24,368	47,045	28,474

Fundraising

Fundraising expenses of $4,743 and $4,667 for the years ended June 30, 2019 and 2018, respectively, are included in institutional support in the accompanying consolidated statements of activities. For the purpose of disclosing fundraising expenses, the university includes only those fundraising costs incurred by its development office.

(11) Commitments and Contingencies

The university leases dormitory, classroom, office, student center, and theater space under various leases expiring through the year 2035. Rent expense is recognized on a straight-line basis over the term of the leases. The excess of rent expense accrued on a straight-line basis over rental payments is included in accounts payable and accrued liabilities in the consolidated balance sheets and totaled $17,329 and $17,592 at June 30, 2019 and 2018, respectively. Rental expense under operating leases for fiscal years 2019 and 2018 was $23,863 and $24,193, respectively.

Minimum rental commitments under noncancelable operating leases for each of the next five fiscal years and thereafter are estimated to be paid as follows:

Year ending June 30:	
2020	$ 23,961
2021	23,899
2022	24,066
2023	24,217
2024	31,714
Thereafter	88,839
	$ 216,696

At June 30, 2019, construction commitments were approximately $2,475.

Amounts received and expended by the university under various federal and state programs are subject to audit by government agencies. In the opinion of management, audit adjustments, if any, would not have a material effect on the financial position, changes in net assets, and cash flows of the university.

In the normal course of its operations, the university is a party to various legal proceedings and complaints, most of which are covered by insurance. While it is not feasible to predict the ultimate outcome of such matters, management of the university is not aware of any claims or contingencies that would have a material adverse effect on the university's financial position.

(12) Retirement and Postretirement Health Benefit Plans

(a) Retirement Plans

The university has a defined contribution retirement plan that covers substantially all employees, except certain union employees, and which is funded through direct payments to Teachers Insurance and Annuity Association of America (TIAA) for the purchase of various types of investment contracts. For each eligible employee, the university's contribution is determined as a percentage of salary, taking into account age and length of accrued service. Retirement contributions paid by the university under this plan and charged to expense for fiscal years 2019 and 2018 were $15,552 and $14,659, respectively.

(b) Multi Employer Plans

At June 30, 2019, the university participated in four multi-employer pension plans established under collective bargaining agreements that cover certain groups of employees throughout the university, and reflected in the table below. These groups of employees are also eligible to participate in the New School 403(b) Retirement Plans. The university makes cash contributions to these plans under the terms of the collective-bargaining agreements that cover its union employees.

The zone status reflected in table below is based on information received from the plan sponsors and, as required by the Pension Protection Act (PPA), is certified by each plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded, and plans in the green zone are at least 80% funded. A zone status of red requires the plan sponsor to implement a Funding Improvement Plan (FIP) or Rehabilitation Plan (RP). Effective August 1 2018, American Federation of Musicians & Employers' Pension Fund (AFMEPF Local 802) imposed surcharge of 9% of contributions, was increased to an additional 10%, while the plan is in critical status. The additional 10% in the rate of contributions will not be used to calculate any participant's benefits under the plan, but will be used solely to improve the financial health of the Plan.

The "FIP/RP Status Pending/Implemented" column indicates plans for which an FIP or RP, as required by PPA, is either pending or has been implemented by the plan's sponsor. The university's contribution is also disclosed below followed by the expiration dates of the collective bargaining agreements requiring contributions to the plans.

(Dollars in thousands)

The percentage of the university's contributions to Local 840 Pension Fund as of December 31, 2018 and 2017 represents 95% and 90% of the total contributions to the plan, respectively. The university's contributions to Building Service 32BJ Benefit Funds, Local 802 (AFMEPF) and Local 94 (Central Pension Fund) were insignificant to the Plan.

Pension fund	EIN/Pension plan number	Pension protection act zone status		FIP/RP Status Pending/ implemented	Contributions of The New School June 30 2019	2018	Surcharge paid	Expiration date of collective bargaining agreement
Building Service 32BJ Benefit Fund	13-1879376/001	June 30, 2018 Red	June 30, 2017 Red	Yes	$ 916	863	No	June 30, 2022
AFMEPF (802)	51-6120204/001	March 31, 2018 Red	March 31, 2017 Red	Yes	132	133	Yes	June 30, 2020
Local 840 Pension Fund (1205)	13-6304568/001	December 31, 2017 Red	December 31, 2016 Red	Yes	1,287	1,121	No	June 30, 2020
Central Pension Fund (Local 94)	36-6052390/001	January 31, 2018 Green	January 31, 2017 Green	No	101	99	N/A	December 31, 2022

(c) Postretirement Health Plans

The university provides certain healthcare benefits for past and future nonunion full-time employees who have or will retire at 65 years of age with 10 or more years of service. This benefit pays up to $1,500 per fiscal year for the cost of premiums to either a Medigap plan, or Part D prescription drug plan, or a Medicare Advantage Plan (also known as a Medicare Part C plan).

The university funds its postretirement benefits costs on a pay-as-you-go basis. As of June 30, 2019 and 2018, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was $3,675 and $3,110, respectively.

(13) Related Party Transactions

Members of the university's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees participate in any decision in which he or she (or an immediate family member) has a material financial interest. For members of the Board of Trustees and senior management, the university requires an annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the university. When such relationships exist, measures are taken to address the actual or perceived conflict to protect the best interests of the university and ensure compliance with relevant conflict of interest laws. During fiscal years ended June 30, 2019 and 2018, no such relationships existed.

(Dollars in thousands)

(14) Liquidity and Availability

The university's financial assets available for general expenditures within one year of the consolidated balance sheets as of June 30, 2019 and 2018 are as follows:

		2019	2018
Cash and cash equivalents	$	1,476	6,834
Student accounts receivable, net		11,419	10,104
Contributions receivable, net		31,892	27,927
Investments		425,657	403,590
Funds held by bond trustees		22,946	22,515
Student loans receivable, net		2,571	2,920
Total financial assets		495,961	473,890
Less those unavailable for general expenditures within one year, due to:			
Contributions receivable due beyond one year		20,099	16,652
Funds held by bond trustees		22,946	22,515
Student loans receivable, net		2,571	2,920
Restricted by donors for use in future periods		10,181	9,121
Restricted by donors in perpetuity		100,340	95,108
Endowment appreciation available, net of approved spending		46,655	46,538
Split interest arrangements		410	1,497
Total amounts unavailable within one year		292,759	279,539
Other board designated funds:			
Board designated as quasi endowment, unavailable without Board approval		245,868	244,186
Board designated art fund, unavailable without Board approval		295	380
Financial assets available to meet general expenditures within one year	$	46,596	34,973

The university continually monitors liquidity required to meet its operating needs and other contractual commitments, while also looking to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the university considers all expenditures related to its ongoing mission related activities, including those for plant and debt service and exclusive of expenditures for plant that are financed by contributions, as well as the conduct of services undertaken to support those activities, to be general expenditures. In addition to financial assets available to meet general expenditures over the next twelve months, the university operates within a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. The consolidated statements of cash flows identifies the sources and uses of the university's cash and shows positive cash generated by operations for the years ended June 30, 2019 and 2018. The university invests funds in excess of current requirements in various short term, highly liquid investments.

The university excludes funds that are Board designated as quasi endowment, from assets available to meet general expenditures. These funds are invested for long term appreciation and current appropriation, and may be spent at the discretion of the Board. In addition, funds held by bond trustees are not considered to be available for general expenditures because these funds are used solely to service long term debt.

Student loans receivable are not considered to be available for general expenditures because these funds are used solely to make new loans and split interest agreements are not considered to be available for general expenditures because these funds are not solely owned by the university.

Further, the university maintains two vehicles to provide short term cash if needed, an unsecured line of credit and a margin agreement. While total availability varies, it is generally in excess of $50,000. See note 7 for more information on these two arrangements.

(15) Subsequent Events

The university evaluated subsequent events after the consolidated balance sheet date of June 30, 2019 through October 24, 2019, the date on which the consolidated financial statements were issued and determined that the following additional disclosures should be included:

On July 17, 2019, the university entered into an agreement to purchase the right to use a facility located near campus through 2069. The purchase price will be paid in annual installments of $4,750 commencing in August 2020. The university will use the facility as a dormitory for its students.

THE NEW SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Federal Pell Grant Program	84.063		$ —	6,299,215
Federal Supplemental Educational Opportunity Grants Program	84.007		—	754,392
Federal Work-Study Program	84.033		—	1,136,282
Federal Direct Student Loans (note 3)	84.268		—	66,428,547
Federal Perkins Loan Program (note 4)	84.038		—	4,859,947
Total Student Financial Aid Cluster			—	79,478,383
Research and Development Cluster:				
U.S. National Science Foundation:				
Division of Social Sciences:				
Doctoral Dissertation Research:				
Gaze Patterns During Video-mediated Interviews	47.075		—	1,490
An Empirical Study of Technologies Improvisation	47.075		—	5,809
Forming Collective Memories: From local influences to global mnemonic convergence	47.075		—	102,467
Conference: How do we determine that something is unknowable rather than merely not yet known?	47.075		—	26,826
Collaborative Research: Video Communication Technologies in Survey Data Collection	47.075		—	36,222
Urban Resilience to Extreme Weather Related Events (pass through from Arizona State University)	47.075	16-841	—	372,545
The Devoted Actor: Sacred values, identity fusion and intergroup conflict	47.075		246,108	264,331
Division of Computer and Network Systems:				
SCC Planning Building Resilient Coastal Cities through Smart and Connected Communities (pass through from Arizona State University)	47.070	ASUB00000106	—	16,000
Division of Civil, Mechanical and Manufacturing Innovation (CCMI):				
Collaborative Research: A Micro-empiric Examination of the Economic Effects from Natural Disasters in Dense Urbanized Areas:	47.041		—	46,901
Directorate for Education and Human Resources Division of Graduate Education:				
Investing Digital Badges as Alternative Credentials to Broaden STEM Participation Among Unrepresented Youth (pass through from Education Development Center, Inc.)	47.076	12060	—	28,423
Department of Human and Health Services:				
Administration for Community Living Open Style Lab at Parsons (pass through from Christopher & Dana Reeve Foundation)	93.325	90PR3002-02-01	—	1,106
U.S. Department of Defense:				
USAF, Air Force Office of Scientific Research:				
Dynamics of Sacred Values and Social Responsibility in Governance and Conflict Management: The Interplay between Leaders, Devoted Actor Networks, General Populations and Time	12.800		571,251	760,084
Defense Advanced Research Projects Agency:				
Platform for Research Optimization and Creation of Experiments in Social Science (pass through from Charles River Analytics Inc.)	12.420	SC1715501	—	62,113
U.S. Army Medical Research Acquisition Activity Fort Campbell Phase 4 Pilot (pass through from New York University)	12.420	17-AO-00-008406	—	1,126
U.S. Department of Energy:				
Next Generation Luminaries (pass through Pacific Northwest National Laboratory)	81.UNK	351535	—	30,843
Total Research and Development Cluster			817,359	1,756,286
Other Programs:				
Department of Veterans Affairs (VA):				
Annual Reporting Fee for VA Students	45.UNK		—	183
National Endowment for the Humanities:				
Towards a Complete History of Art: Building an Interface that Connects Museum Data Internationally	45.164		—	16,807
National Endowment for the Arts:				
New York String Orchestra	45.024		—	15,000
Institute of Museum and Library Services:				
MLG Museums – Community Anchors	45.312		—	32
Total expenditures of federal awards			$ 817,359	81,266,691

See notes to schedule of expenditures of federal awards.

THE NEW SCHOOL

Notes to Schedule of Expenditures of Federal Awards

June 30, 2019

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activities of The New School (the university) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the activities of the university, it is not intended to, and does not, present either the consolidated financial position, changes in net assets or cash flows of the university.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The university has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. Indirect costs are allocated to individual grants within the Schedule in accordance with contractual provisions of each grant. The indirect costs are calculated based upon either a three-year negotiated rate with the Department of Health and Human Services effective through June 30, 2019 or the specific requirements of the particular grant.

(3) Federal Direct Student Loans (CFDA #84.268)

For the Federal Direct Student Loan Program, the university is responsible only for the performance of certain administrative duties; therefore, the program's net assets and transactions are not included in the university's consolidated financial statements, and it is not practicable to determine the balance of loans outstanding to students.

(4) Federal Perkins Loan Program (CFDA #84.038)

The university extended loans through a revolving federal loan program which ended in fiscal year 2018. Principal and interest relating to outstanding loans are being repaid to the university. The balance of the outstanding loans made by the university under the Federal Perkins Loan Program at June 30, 2019 and 2018 was $4,549,177 and $4,859,947, respectively.

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

The Board of Trustees
The New School:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The New School (the university), which comprise the consolidated balance sheet as of June 30, 2019, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2019. That report contained an unmodified opinion on those consolidated financial statements with an emphasis of matter paragraph regarding the University's adoption of Accounting Standards Update Nos. 2016-14, *Not-for-Profit Entities (Topic 958)*: *Presentation of Financial Statements of Not-for-Profit Entities*, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the university's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control. Accordingly, we do not express an opinion on the effectiveness of the university's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the university's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of

(Continued)

our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the university's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the university's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 24, 2019

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

The Board of Trustees
The New School:

Report on Compliance for Each Major Federal Program

We have audited The New School's (the university) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the university's major federal programs for the year ended June 30, 2019. The university's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the university's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the university's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the university's compliance.

Opinion on Each Major Federal Program

In our opinion, the university complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

(Continued)

The university's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The university is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The university's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

Report on Internal Control Over Compliance

Management of the university is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the university's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the university's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

The university's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The university is also responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The university's responses and corrective action plan were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses or the corrective action plan.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the consolidated financial statements of the university as of and for the year ended June 30, 2019 and 2018, and have issued our report thereon dated October 24, 2019, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2019 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2019 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2019 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2019 consolidated financial statements or to the 2019 consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2019 consolidated financial statements as a whole.

KPMG LLP

March 23, 2020

(1) Summary of Auditors' Results

(a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified**

(b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements:

- Material weaknesses: **No**
- Significant deficiencies: **None reported**

(c) Noncompliance material to the consolidated financial statements: **No**

(d) Internal control deficiencies over major programs disclosed by the audit:

- Material weaknesses: **No**
- Significant deficiencies: **Yes (2019-001)**

(e) Type of report issued on compliance for the major program: **Unmodified**

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes (2019-001)**

(g) Major programs:

- **Student Financial Assistance Cluster (various CFDA numbers)**
- **Research and Development Cluster (various CFDA numbers)**

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$750,000**

(i) Auditee qualified as a low-risk auditee: **Yes**

(2) Findings Relating to the Consolidated Financial Statements Reported in Accordance with *Government Auditing Standards*

None

(3) Findings and Questioned Costs Relating to Federal Awards

2019-001 Significant Deficiency and Noncompliance: Reporting

Federal Program

Student Financial Assistance Cluster:

Federal Pell Grant Program CFDA 84.063

Federal Agency

U.S. Department of Education

(Continued)

Federal Award Year: July 1, 2018 to June 30, 2019

Statistically valid sample: No and it was not intended to be

Criteria

Schools submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD). Origination records can be sent well in advance of any disbursements, as early as the school chooses to submit them for any student the school reasonably believes will be eligible for a payment. A school follows up with a disbursement record for that student no earlier than (1) 7 calendar days prior to the disbursement date under the Advance or Heightened Cash Monitoring 1 payment methods, or (2) the date of the disbursement under the Reimbursement or Heightened Cash Monitoring 2 payment methods (see Department of Education (ED) Notice, June 27, 2017, Federal Register (82 FR 29061). The disbursement record reports the actual disbursement date and the amount of the disbursement. ED processes origination and/or disbursement records and returns acknowledgments to the school. The acknowledgments identify the processing status of each record: Rejected, Accepted with Corrections, or Accepted. Institutions must report student payment data within 15 calendar days after the school makes a payment or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Schools may do this by reporting once every 15 calendar days, bi-weekly or weekly, or may set up their own system to ensure that changes are reported in a timely manner.

Condition and Context

We tested a sample of 40 students who received federal Pell grants in fiscal 2019. For 6 students in the sample, reporting to the COD were not performed within the required 15 calendar days.

We noted that the monthly reconciliation which is the university’s internal control to ensure its records matches the COD did not operate effectively in fiscal 2019.

Cause and Effect/Potential Effect

The university’s system used to transmit disbursement information experienced difficulties which caused it to go offline intermittently and prevented the reporting to COD accurately and on a timely basis. The university’s system of internal controls, although established, did not operate effectively to ensure compliance.

Questioned Costs

There are no known questioned costs related to this finding.

Recommendation

We recommend that management review its current policies and procedures as it relates to reporting disbursements to the COD and incorporate a manual control to review that system transmissions are completed as scheduled and that the information transmitted is accurate. To ensure compliance with the 15 calendar day requirement for submission of disbursement information to COD, we recommend that management implement a more frequent reconciliation to ensure the submission are not only timely but also accurate. Additionally, we recommend that the reconciliation is reviewed by someone in a supervisory role and the review is documented.

(Continued)

Views of Responsible Officials and Planned Corrective Action

Management acknowledges the finding and recommendation. In addition to the monthly reconciliation of the School Account Statement (SAS), management has designed and will implement a weekly reconciliation to ensure the accuracy and completeness of reports submitted to COD. The additional control will also ensure the institution meets the compliance requirement to report student payment data within 15 calendar days. The Reconciliation Report will be run on Thursday of each week and will include both Pell and DL transactions and is designed to triangulate the dates of disbursement, student account posting and COD dates and to identify any discrepancies for the Pell and DL Program Managers to review and correct by close of business that week. The Associate Director of Compliance will be responsible for overseeing weekly reconciliation corrections, the monthly SAS Reconciliation and the adherence to federal processing guidelines.

Beginning in April 2019 the financial aid office moved to an automated batch process for the export and import of Pell files, eliminating manual related errors. Error reports are generated and delivered in email format to program managers when individual student records are picked up for export but not processed as well as instances when the report doesn’t run as scheduled. Reports will be logged for historical reference moving forward.

Persons Responsible for Corrective Action

Senior Director of Financial Aid

Completion Date

March 30, 2020

THE NEW SCHOOL

The New School
Corrective Action Plan
Year ended June 30, 2019

Finding No. 2019-001 Significant Deficiency and Noncompliance: Reporting

Corrective Action

Management acknowledges the finding and recommendation. In addition to the monthly reconciliation of the School Account Statement (SAS), management has designed and will implement a weekly reconciliation to ensure the accuracy and completeness of reports submitted to COD. The additional control will also ensure the institution meets the compliance requirement to report student payment data within 15 calendar days. The Reconciliation Report will be run on Thursday of each week and will include both Pell and DL transactions and is designed to triangulate the dates of disbursement, student account posting and COD dates and to identify any discrepancies for the Pell and DL Program Managers to review and correct by close of business that week. The Associate Director of Compliance will be responsible for overseeing weekly reconciliation corrections, the monthly SAS Reconciliation and the adherence to federal processing guidelines.

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Person Responsible for Corrective Action
Senior Director of Financial Aid

Completion Date

March 30, 2020