THE NEW SCHOOL

Consolidated Financial Statements,
Supplementary Information on Financial Responsibility Data, and
Federal Awards Programs

June 30, 2021

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

THE NEW SCHOOL

Table of Contents

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, 2021 and 2020, 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, 2021 and 2020, 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(m) to the consolidated financial statements, in 2021 the university adopted new accounting guidance, Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of financial responsibility data as of and for the year ended June 30, 2021, is presented for purposes of additional analysis as required by the US Department of Education, and is not a required part of the 2021 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 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 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 2021 consolidated financial statements or to the 2021 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 supplementary schedule of financial responsibility data is fairly stated, in all material respects, in relation to the 2021 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2021, except as to note 17, which is as of September 29, 2022, 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 28, 2021, except as to note 17
and our report on the supplementary
schedule of financial responsibility data,
which are as of September 29, 2022

THE NEW SCHOOL

Consolidated Balance Sheets

June 30, 2021 and 2020

(Dollars in thousands)

Assets		2021	2020
Cash and cash equivalents	$	6,171	7,767
Student accounts receivable, net (note 4)		17,359	15,949
Contributions receivable, net (note 6)		30,125	30,585
Investments (note 5)		486,849	430,096
Deferred charges and other assets		19,265	21,712
Funds held by bond trustees (note 9)		23,782	23,190
Student loans receivable, net (note 4)		1,998	2,350
Operating right-of-use assets (note 12)		386,054	—
Land, buildings, and equipment, net (notes 7, 8 and 14)		715,247	788,577
Total assets	$	1,686,850	1,320,226
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities (notes 8, 12, and 13)	$	67,866	72,437
Deferred revenue (notes 3 and 4)		21,548	9,402
Federal Perkins student loan advances		968	1,290
Short-term debt (note 8)		14,421	30,000
Operating lease liabilities (note 12)		413,015	—
Other long-term liability (note 14)		—	55,000
Long-term debt, net (note 8)		573,282	585,905
Total liabilities		1,091,100	754,034
Commitments and contingencies (notes 5, 8, 12, and 13)			
Net assets (note 10):			
Without donor restrictions		336,004	352,195
With donor restrictions		259,746	213,997
Total net assets		595,750	566,192
Total liabilities and net assets	$	1,686,850	1,320,226

See accompanying notes to consolidated financial statements.

THE NEW SCHOOL

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	2021	2020
Change in net assets without donor restrictions:		
Operating revenues:		
Student tuition and fees (net of scholarship allowance of $147,178 and $144,499 for the years ended June 30, 2021 and 2020, respectively) (note 4)	$ 255,449	329,126
Contributions	1,448	2,014
Grants and contracts	3,556	3,295
Endowment return appropriated for operations (notes 5 and 10)	9,767	9,729
Auxiliary activities (note 4)	5,116	31,048
Other income	14,128	17,581
Net assets released from restrictions (note 10)	29,593	33,627
Total operating revenues	319,057	426,420
Operating expenses (note 11):		
Instruction and departmental research	129,491	153,673
Sponsored research and public services	15,043	16,859
Academic support	82,086	95,336
Student services	33,181	39,352
Auxiliary activities	48,142	43,579
Institutional support	77,448	79,028
Total operating expenses	385,391	427,827
Change in net assets from operating activities before insurance recovery on casualty loss	(66,334)	(1,407)
Insurance recovery on casualty loss (note 7)	—	467
Change in net assets from operating activities	$ (66,334)	(940)

(Continued)

THE NEW SCHOOL

Consolidated Statements of Activities

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Change in net assets from operating activities, brought forward	$	(66,334)	(940)
Nonoperating activities:			
Endowment return (notes 5 and 10)		58,718	2,337
Endowment return appropriated for operations (notes 5 and 10)		(9,767)	(9,729)
Other, net		1,192	(423)
Change in net assets without donor restrictions		(16,191)	(8,755)
Change in net assets with donor restrictions:			
Contributions		27,806	20,817
Grants and contracts		9,556	9,035
Endowment return (notes 5 and 10)		38,498	1,670
Other, net		(518)	(599)
Net assets released from restriction (note 10)		(29,593)	(33,627)
Change in net assets with donor restrictions		45,749	(2,704)
Change in net assets		29,558	(11,459)
Net assets at beginning of year		566,192	577,651
Net assets at end of year	$	595,750	566,192
Certain amounts disaggregated above are presented below in the aggregate:			
Contributions	$	29,254	22,831
Endowment return		97,216	4,007
Endowment return appropriated for operations		16,412	16,227

See accompanying notes to consolidated financial statements.

THE NEW SCHOOL

Consolidated Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	29,558	(11,459)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation		26,326	27,052
Provision for uncollectible student receivables		5,936	3,141
Amortization of net bond premium and deferred charges		(1,392)	(1,218)
Net realized and unrealized gain on investments		(102,774)	(9,429)
Insurance recovery on casualty loss		—	(467)
Amortization of interest net of interest expense		42,630	—
Contributions and grants restricted for:			
Investment in endowment		(7,671)	(5,338)
Changes in operating assets and liabilities:			
Student accounts receivable		(7,346)	(7,671)
Contributions receivable		(582)	2,778
Deferred charges and other assets		2,447	(1,066)
Lease liability payments		(33,864)	—
Accounts payable and accrued liabilities		12,377	(1,529)
Deferred revenue		13,404	(3,520)
Net cash used in operating activities		(20,951)	(8,726)
Cash flows from investing activities:			
Purchase of investments		(215,104)	(185,086)
Proceeds from sales of investments		257,820	202,427
Purchase of fixed assets		(7,996)	(15,625)
Proceeds from insurance recoveries		—	480
Change in accounts payable for fixed assets		(11)	(41)
Student loans collected, net		352	221
Net cash provided by investing activities		35,061	2,376
Cash flows from financing activities:			
(Payments) proceeds from short-term debt		(15,579)	30,000
Proceeds from long-term debt		—	2,000
Payments on long-term debt		(11,231)	(10,320)
Change in funds held by bond trustees		(14,378)	22,943
Change in contributions receivable restricted for endowment		1,042	(1,521)
Change in contributions receivable restricted for capital projects		—	50
Contributions restricted for endowment		7,671	5,338
Change in Federal Perkins student loan advances		(322)	(311)
Net cash (used in) provided by financing activities		(32,797)	48,179
Net change in cash, cash equivalents, and restricted cash		(18,687)	41,829
Cash, cash equivalents, and restricted cash – beginning of year		43,305	1,476
Cash, cash equivalents, and restricted cash – end of year	$	24,618	43,305
Reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown above:			
Cash and cash equivalents	$	6,171	7,767
Restricted cash included in investments		9,043	12,348
Restricted cash included in bonds held by trustees		9,404	23,190
Total cash, cash equivalents, and restricted cash shown above	$	24,618	43,305
Supplemental information:			
Interest paid	$	23,053	23,732
Right-of-use assets obtained in exchange for operating lease liabilities		429,656	—
Deferred rent liability and tenant improvement allowance included in operating lease right-of-use assets		(18,206)	—
Financed leasehold interest in construction in progress (note 14)		—	55,000

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.

(Continued)

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

(Continued)

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.

A contribution is conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to the transferred assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. At June 30, 2021 and 2020, the university received conditional promises to give of approximately $32,000 and $31,000, respectively, in the form of measurable performance related or other barriers and a right of return that have not been reflected in the accompanying consolidated financial statements because the barriers on which they depend have not been met.

(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, 2021 and 2020, assets associated with split interest gifts approximate $409 and $390 respectively.

(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 other than published NAV or 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 $3,675 and $4,219 for fiscal years 2021 and 2020, respectively.

(i) Estimates

The preparation of the consolidated financial statements in conformity with GAAP 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. Estimates made in the preparation of the consolidated financial statements include valuation of investments at fair value, estimated net realizable value of receivables and incremental borrowing rate. 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. The university has not identified or provided for any such positions as of June 30, 2021 and 2020.

(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 10), 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.

(Continued)

(l) Leases

The university determines if an arrangement is a lease at inception and classifies leases as either operating or financing depending on the terms and conditions set forth in the contract. The university uses an incremental borrowing rate to determine the present value of lease payments when the lessor's implicit rate in the lease is not readily available.

The university amortizes a lease's cost in the consolidated statement of activities on a straight-line basis over its term. On the consolidated balance sheets, operating lease right-of-use assets (ROU) represent the university's right to use the underlying assets for the lease term and lease liabilities represents the university's obligation to make lease payments arising from the leases. Operating ROU assets and liabilities are recognized at lease inception based on the present value of lease payments over the lease term. Operating lease ROU assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liabilities utilizing the effective interest method.

(m) New Accounting Pronouncements

The university adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842),* as amended by ASU No. 2019-01. This guidance, and ASU No. 2020-05: *Revenue from Contracts with Customers and (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, effective for the university's fiscal year ending June 30, 2021, is designed to increase transparency and comparability among organizations by requiring the recognition of ROU assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements.

The university elected the package of practical expedients permitted under the transition guidance within Topic 842, which allowed the university to carry forward its identification of contracts that are or contain leases, its historical classification of existing leases and its accounting for initial direct costs for existing leases.

The university elected the short-term lease exception under ASU No. 2016-02, *Leases* (Topic 842) for all leases, and therefore, leases with an initial term of 12 months or less are not included in the consolidated balance sheets.

The university has also elected to apply the provisions of the standard to the period of adoption. The university recognized operating lease ROU assets and lease liabilities of $411,450 and 429,656, respectively, on July 1, 2020.

(n) Reclassifications

Certain reclassifications of 2020 amounts have been made to conform to 2021 presentation.

(3) Impact of COVID-19

The COVID-19 pandemic has impacted global, national, state, and local economies, as well as the higher education landscape. As a result of the pandemic, the university transitioned the delivery of its instruction to online starting in mid-March of 2020 and provided refunds to students of $8,821 for room and board fees for services it could no longer provide for the remainder of the fiscal year 2020 spring semester. In

(Dollars in thousands)

Spring 2020, in anticipation of the outbreak's adverse effects, the university implemented temporary expenditure reductions, which continued throughout fiscal year 2021.

As a result of the pandemic, the university experienced a significant reduction in revenues in fiscal 2021 and implemented additional reductions in operating costs.

In fiscal year 2020, the university received an allocation from the Higher Education Emergency Relief Fund (HEERF) established under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) of $4,996, which included $2,498 to provide emergency aid to eligible students and $2,498 to mitigate the financial losses associated with COVID-19 disruptions to the university. In fiscal year 2021, the university received allocations from the HEERF II established under the Coronavirus Response and Supplemental Act (CRRSA Act) and the HEERF III established under the American Rescue Plan (ARP). These allocations totaled $22,379, of which $9,689 was to provide student aid and $12,690 was to be used to cover lost revenue and university expenses associated with the pandemic. As of June 30, 2021 and 2020, $8,819 and $328 was included in deferred revenue on the consolidated balance sheets, respectively.

There continues to be significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the U.S. and international economies. As such, the university is unable to determine if it will have a material impact to its financial statements in the future.

(4) 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 generally 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.

The university provided academic baccalaureate degrees to domestic and international students as follows (unaudited):

	2021	2020
Undergraduates	7,049	7,771
Graduates	3,021	3,199
	10,070	10,970
New York	33 %	19 %
Other domestic	20	47
Other countries	47	34
	100 %	100 %

(Dollars in thousands)

(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:

		2021	2020
University support	$	140,170	137,324
Sponsored support		7,008	7,175
	$	147,178	144,499

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 receivables consisted of the following at June 30, 2021 and 2020:

		2021	2020
Student accounts receivable:			
Student accounts receivable	$	42,373	35,815
Less allowance for uncollectible accounts		(25,014)	(19,866)
	$	17,359	15,949
Student loans receivable:			
Student loans (Perkins loans)	$	4,077	4,288
Less allowance for uncollectible loans		(2,079)	(1,938)
	$	1,998	2,350

(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. Deferred revenues are typically recognized as revenue in the subsequent fiscal year.

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 (as of June 30, 2020), which are recognized over the life of the contract.

(Continued)

(Dollars in thousands)

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

		2021	2020
Deferred student tuition and fees	$	10,033	5,760
Higher Education Emergency Relief Fund		8,819	328
Other liabilities		2,696	3,314
	$	21,548	9,402

(5) Investments

Investments at fair value consisted of the following at June 30, 2021 and 2020:

		2021	2020
Endowment investments:			
Cash and cash equivalents	$	38,332	60,046
Public equity		121,223	72,342
Fixed income		66,315	45,152
Hedge funds		153,555	157,008
Private equity		64,365	29,691
Real assets		33,270	29,132
		477,060	393,371
Operating and other investments:			
Cash and cash equivalents		9,393	35,206
Public equity		300	327
Fixed income		96	92
Real assets		—	1,100
		9,789	36,725
	$	486,849	430,096

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, public 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 limited liability partnerships that invest primarily in domestic middle market companies, a bond fund composed of shorter-duration U.S. government, agencies, and instrumentality obligations and U.S. treasuries. The redemption periods for these fixed income funds range from daily to no redemption. Remaining commitments to funds in this category total $5,952 as of June 30, 2021.

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 diversifying 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, 2021.

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. There are no redemptions for private equity funds. Remaining commitments to funds in this category total $43,576 as of June 30, 2021.

Public Equity – Public equities funds include domestic, global, and emerging market strategies. The redemption periods range from monthly to semi-annual. There are no remaining commitments to funds in this category total as of June 30, 2021.

Real Assets – The university's real assets are comprised of real estate investments. 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. The redemption periods for real assets range from annual to no redemption. Remaining commitments in this category total $15,452 as of June 30, 2021.

(Dollars in thousands)

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, 2021 and 2020, the fair market value of these contracts which is included in other income on the consolidated statements of activities resulted in an unrealized loss of $29 and $400, respectively.

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:

		2021		
		Without donor restrictions	With donor restrictions	Total
Investment return has been allocated as follows:				
Operating, pursuant to the university's endowment spending policy	$	9,767	6,645	16,412
Operating, other income		69	—	69
Nonoperating investment activity		48,951	31,853	80,804
Total investment return, net	$	58,787	38,498	97,285

		2020		
		Without donor restrictions	With donor restrictions	Total
Investment return has been allocated as follows:				
Operating, pursuant to the university's endowment spending policy	$	9,729	6,498	16,227
Operating, other income		461	10	471
Nonoperating investment activity		(7,392)	(4,828)	(12,220)
Total investment return, net	$	2,798	1,680	4,478

(Dollars in thousands)

The following tables summarize investments at June 30. 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:

	2021			
	Level 1	**Level 3**	**Total**	**Redemption/ liquidation**
Cash and cash equivalents	$ 47,725	—	47,725	Daily
Equity securities:				
Domestic	501	—	501	Daily
	501	—	501	
Fixed income:				
U.S. government – backed	57,087	—	57,087	Daily
	57,087	—	57,087	
Real assets:				
Commodities	20,698	—	20,698	Daily
	20,698	—	20,698	
Investments measured at net asset value:				
Fixed income	—	—	9,324	Annual to no redemptions
Hedge funds	—	—	153,555	Monthly to no redemptions
Private equity	—	—	64,365	No redemptions
Public equity	—	—	121,022	Monthly to semi-annual
Real estate	—	—	12,572	No redemptions
	—	—	360,838	
Total	$ 126,011	—	486,849	

(Dollars in thousands)

	2020			
	Level 1	**Level 3**	**Total**	**Redemption/ liquidation**
Cash and cash equivalents	$ 95,252	—	95,252	Daily
Equity securities:				
Domestic	480	—	480	Daily
	480	—	480	
Fixed income:				
U.S. government – backed	22,083	—	22,083	Daily
	22,083	—	22,083	
Real assets:				
Commodities	23,598	—	23,598	Daily
Real estate	—	1,100	1,100	N/A
	23,598	1,100	24,698	
Investments measured at net asset value:				
Fixed income	—	—	23,161	Annual to no redemptions
Hedge funds	—	—	157,008	Monthly to no redemptions
Private equity	—	—	29,691	No redemptions
Public equity	—	—	72,189	Quarterly to semi-annual
Real estate	—	—	5,534	No redemptions
	—	—	287,583	
Total	$ 141,413	1,100	430,096	

(Dollars in thousands)

Investments at June 30, 2021 and 2020 are summarized in the following tables by their investment liquidity profile:

	2021			2020		
	Endowment	Operating	Total	Endowment	Operating	Total
Daily	$ 116,221	9,789	126,010	139,261	35,625	174,886
Monthly	108,287	—	108,287	101,138	—	101,138
Quarterly	91,939	—	91,939	43,435	—	43,435
Semi-annual	16,712	—	16,712	10,150	—	10,150
Annual	13,699	—	13,699	9,634	—	9,634
Illiquid	130,202	—	130,202	89,753	1,100	90,853
Total	$ 477,060	9,789	486,849	393,371	36,725	430,096

(6) Contributions Receivable

Contributions receivable are expected to be collected as follows at June 30, 2021 and 2020:

	2021	2020
Amounts expected to be collected:		
In one year or less	$ 21,318	15,756
In one year to five years	12,550	12,486
In more than five years	8,727	10,380
	42,595	38,622
Less:		
Allowance for uncollectible amounts	(11,227)	(6,413)
Discount to present value (at rates ranging from .07% to 5.15%)	(1,243)	(1,624)
	$ 30,125	30,585

The amounts receivable from 10 donors represent approximately 82% and 74% of the gross receivables as of June 30, 2021 and 2020, respectively.

(Dollars in thousands)

(7) Land, Buildings, and Equipment

Land, buildings, and equipment consisted of the following at June 30, 2021 and 2020:

		2021	2020
Land and air rights	$	81,107	81,107
Buildings and building improvements		778,465	771,957
Leasehold improvements		84,397	80,683
Furniture and equipment		39,053	40,658
Construction in progress (note 14)		2,948	62,525
		985,970	1,036,930
Less accumulated depreciation		(270,723)	(248,353)
Total land, buildings, and equipment – net	$	715,247	788,577

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 $467 during the year ended June 30, 2020, resulting in a gain from casualty loss.

(8) Debt

Long-term debt consisted of the following at June 30, 2021 and 2020:

Description	Maturity date	Interest rate		2021	2020
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%		75,665	78,705
Series 2015	July 1, 2050	3.00%–5.00%		116,025	117,830
Series 2011	July 1, 2031	4.00%–5.00%		23,985	25,550
Series 2010	July 1, 2020	5.00%–6.00%		—	4,325
Promissory note	January 1, 2023	1.00%		1,504	2,000
				533,219	544,450
Less:					
Unamortized bond issuance costs				(3,387)	(3,534)
Unamortized discount				(278)	(291)
Add unamortized premium				43,728	45,280
			$	573,282	585,905

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 ($29,435 unamortized at June 30, 2021). 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. Net premiums received at the time of issuance of the 2015 bonds totaled $16,132 ($13,157 unamortized at June 30, 2021). 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. Net premiums received at the time of issuance of the 2011 bonds totaled $1,789 ($858 unamortized at June 30, 2021). 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 2021. 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, 2021, the university was in compliance.

In June 2020, the university entered into a $2,000 unsecured promissory note with a lender. Principal is due within 30 months with interest payable at a rate of 1% annually. $1,504 and $2,000 was outstanding as of June 30, 2021 and 2020, respectively.

For the years ended June 30, 2021 and 2020, interest expense totaled $22,827 and $23,523, respectively. At June 30, 2021 and 2020, interest payable included in accounts payable and accrued liabilities was $12,055 and $12,281, respectively.

(Dollars in thousands)

At June 30, 2021, aggregate principal maturities of long-term debt for each of the next fiscal years and thereafter are as follows:

Fiscal year ending June 30:		
2022	$	12,685
2023		10,769
2024		10,560
2025		11,540
2026		13,730
Thereafter		473,935
	$	533,219

Short-Term Debt

On June 10, 2016, the university entered into a margin agreement with its investment custodian to loan up to 92% of custodial liquid investments with interest payable at a rate equal to the Federal Funds Rate (LIBOR) plus 0.75% to be secured by treasuries, money market and exchange-traded funds. $14,421 borrowings were outstanding as of June 30, 2021 and $15,000 borrowings were outstanding as of June 30, 2020.

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 1%. 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. There were no borrowings outstanding as of June 30, 2021, and $15,000 borrowings were outstanding as of June 30, 2020.

(9) Funds Held by Bond Trustees

Debt service funds held by the bond trustees consisted of the following at June 30, 2021 and 2020:

		2021	2020
Cash and cash equivalents	$	23,782	23,190
	$	23,782	23,190

The funds held by bond trustees at June 30, 2021 and 2020 are reported at fair value and are classified as Level 1 in the fair value hierarchy.

(Dollars in thousands)

(10) Net Assets

Net assets consisted of the following at June 30, 2021 and 2020:

		2021	2020
Without donor restrictions:			
Board-designated endowment	$	288,757	239,578
Other board-designated		197	197
Net investment in plant		165,747	170,862
Undesignated		(118,697)	(58,442)
Total net assets without donor restriction		336,004	352,195
With donor restrictions:			
Subject to expenditure when a specified event occurs:			
Scholarships		3,197	3,602
Education and research		30,733	25,080
Contribution receivable		17,698	16,229
Other		4,162	3,483
Building construction and equipment		675	287
Split-Interest agreements		409	390
		56,874	49,071
Endowment returns subject to future to appropriations:			
Scholarships		32,378	18,065
Education and research		45,171	29,329
General activities		4,117	2,418
		81,666	49,812
Total net assets restricted by time or purpose		138,540	98,883
Amounts with perpetual restrictions:			
Scholarships		31,149	29,143
Education and research		70,590	64,926
General activities		10,019	10,019
Contribution receivable		9,448	11,026
Total net assets with perpetual restrictions		121,206	115,114
Total net assets with donor restrictions		259,746	213,997
Total net assets	$	595,750	566,192

Endowment

The university's endowment is comprised of 334 individual funds, at June 30, 2021, 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 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, $16,412 and $16,227 of endowment return was made available in fiscal years 2021 and 2020, 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, 2021 and 2020:

	2021		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	193,424	193,424
Board-designated endowment funds	288,757	—	288,757
Total endowment net assets	$ 288,757	193,424	482,181

	2020		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor-restricted endowment funds	$ —	153,900	153,900
Board-designated endowment funds	239,578	—	239,578
Total endowment net assets	$ 239,578	153,900	393,478

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, as of June 30, 2020	$	239,578	153,900	393,478
Net investment return		58,718	38,498	97,216
Contributions, net		—	7,671	7,671
Appropriation for spending		(9,767)	(6,645)	(16,412)
Transfer to board-designated funds		228	—	228
Endowment net assets, as of June 30, 2021	$	288,757	193,424	482,181

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, as of June 30, 2019	$	245,868	153,389	399,257
Net investment return		2,337	1,670	4,007
Contributions, net		—	5,339	5,339
Appropriation for spending		(9,729)	(6,498)	(16,227)
Transfer to board-designated funds		1,102	—	1,102
Endowment net assets, as of June 30, 2020	$	239,578	153,900	393,478

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 GAAP, the deficiencies of this nature that are reported in net assets with donor restrictions totaled $165 and $444 at June 30, 2021 and 2020, 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, 2021 and 2020, the amount by which funds was underwater was calculated as follows:

		2021	2020
Aggregate original gift amount	$	1,526	1,526
Aggregate fair value		(1,361)	(1,082)
Aggregate deficiency	$	165	444

(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 2021 and 2020 as follows:

		2021	2020
Scholarships and departmental activities	$	29,144	31,995
Payments received on pledges		449	1,632
Total net assets released from restrictions	$	29,593	33,627

(11) Expenses

Expenses by functional classification for fiscal years 2021 and 2020 are as follows:

	2021					
Functional expenses	**Salaries and benefits**	**Occupancy costs**	**General business expenses**	**Professional services**	**Interest and depreciation**	**Total**
Instruction and departmental research	$ 99,601	11,552	1,497	1,122	15,719	129,491
Sponsored research and public services	7,730	867	2,328	3,806	312	15,043
Academic support	50,223	7,706	6,273	9,180	8,704	82,086
Student services	21,701	2,282	3,607	4,029	1,562	33,181
Auxiliary activities	2,450	28,762	850	151	15,929	48,142
Institutional support	40,354	5,806	16,646	7,715	6,927	77,448
Total	$ 222,059	56,975	31,201	26,003	49,153	385,391

	2020					
Functional expenses	**Salaries and benefits**	**Occupancy costs**	**General business expenses**	**Professional services**	**Interest and depreciation**	**Total**
Instruction and departmental research	$ 121,472	11,704	2,516	1,399	16,582	153,673
Sponsored research and public services	8,052	601	3,700	4,223	283	16,859
Academic support	62,382	7,009	8,327	8,815	8,803	95,336
Student services	26,868	1,703	5,431	3,893	1,457	39,352
Auxiliary activities	33,539	19,475	3,684	462	16,419	73,579
Institutional support	45,696	4,885	15,848	5,568	7,031	79,028
Total	$ 298,009	45,377	39,506	24,360	50,575	457,827

(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:

	2021			2020		
Functional expenses	**Interest**	**Operation and maintenance of plant**	**Depreciation**	**Interest**	**Operation and maintenance of plant**	**Depreciation**
Instruction and departmental research	$ 5,974	16,613	9,745	6,298	18,192	10,284
Sponsored research and public services	73	1,248	239	70	897	213
Academic support	3,756	10,644	4,948	3,799	9,998	5,004
Student services	522	2,839	1,040	509	2,368	948
Auxiliary activities	10,347	5,457	5,582	10,690	6,495	5,729
Institutional support	2,155	8,053	4,772	2,157	7,386	4,874
Total	$ 22,827	44,854	26,326	23,523	45,336	27,052

Fundraising

Fundraising expenses of $3,779 and $4,784 for the years ended June 30, 2021 and 2020, 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.

(12) Leases and Other Commitments and Contingencies

The university has entered into operating leases of certain facilities for educational purposes which expire at various dates through 2069 and provide for renewal options. Certain facility leases provide for increase in future annual payments based on defined increases in the Consumer Price Index subject to certain maximum increases. Additionally, the agreements generally require the university to pay real estate taxes, insurance, and repairs. Operating leases with lease terms greater than one year are reported as operating lease ROU assets and liabilities in the consolidated financial statements.

The university has no material finance leases to report under ASU No. 2016-02, *Leases,* for the period ended June 30, 2021.

(Dollars in thousands)

The table below presents a maturity analysis of operating lease liabilities and a reconciliation of the total amount of such liabilities recognized in the consolidated balance sheets at June 30, 2021.

		Operating leases
Year ending June 30:		
2022	$	39,468
2023		39,225
2024		39,054
2025		29,468
2026		29,804
2027 and thereafter		728,576
		905,595
Less discount for net present value		(492,580)
	$	413,015

Lease costs and other related information for the year ended June 30, 2021, were as follows:

Operating lease cost	$	42,736
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	33,864
Weighted-average remaining lease term		30
Weighted-average discount rate		4.55 %

At June 30, 2021, construction commitments were approximately $2,540.

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.

(13) 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 2021 and 2020 were $3,142 and $16,098, respectively. In response to the pandemic, the university suspended its employer contributions to the defined-contribution plan commencing at the beginning of fiscal year 2021. The employer contributions to the plan were reinstated at the beginning of fiscal year 2022.

(b) Multi Employer Plans

At June 30, 2021, 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, the American Federation of Musicians & Employers' Pension Fund (AFMEPF Local 802) imposed surcharge of 9% of contributions was increased by 10% 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, 2020 and 2019 represents 78% and 94% 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 2021	2020	Surcharge paid	Expiration date of collective bargaining agreement
Building Service 32BJ Benefit Fund	13-1879376/001	June 30, 2020 Red	June 30, 2019 Red	Yes	$ 746	864	No	June 30, 2022
AFMEPF (802)	51-6120204/001	March 31, 2021 Red	March 31, 2020 Red	Yes	121	121	Yes	June 30, 2022
Local 840 Pension Fund (1205)	13-6304568/001	December 31, 2020 Red	December 31, 2019 Yellow	Yes	1,187	1,392	No	June 30, 2022
Central Pension Fund (Local 94)	36-6052390/001	January 31, 2020 Green	January 31, 2019 Green	No	66	94	N/A	December 31, 2022

The university is currently in the process of renegotiating collective bargaining agreement for Local 802 (AFMEPF) and Local 840 Pension Fund (1205), which is extended until June 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, a 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, 2021, and 2020, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was $3,836 and $4,348, respectively.

(14) 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 2020, the Board of Trustees approved an agreement to purchase a leasehold interest in a condominium which allows the right to use a facility located near campus through 2069 with an entity associated with a trustee. The purchase price will be paid in annual installments of $4,750 commencing January 2021. The terms of the agreement require the university to pay annual common charges equal to

(Dollars in thousands)

$4,750 plus escalations, through 2069. As of June 30, 2020, approximately $55,000 of construction costs were incurred and capitalized as construction in progress and other long-term liability on the consolidated balance sheets. The university took possession of the facility in fall 2020 and uses the facility as a dormitory for its students.

Consistent with the policy discussed above, the decision to engage the firm was based on a review and discussion without participation of the interested trustee, with the assistance of real estate consultants and outside counsel, and a determination that such engagement was in the best interest of and provided substantial benefit to the university.

(15) Liquidity and Availability

The university's financial assets available for general expenditures within one year of the consolidated balance sheets as of June 30, 2021 and 2020 are as follows:

		2021	2020
Cash and cash equivalents	$	6,171	7,767
Student accounts receivable, net		17,359	15,949
Contributions receivable, net		30,125	30,585
Investments		486,849	430,096
Funds held by bond trustees		23,782	23,190
Student loans receivable, net		1,998	2,350
Total financial assets		566,284	509,937
Less those unavailable for general expenditures within one year, due to:			
Contributions receivable due beyond one year		18,970	25,720
Funds held by bond trustees		23,782	23,190
Student loans receivable, net		1,998	2,350
Restricted by donors for use in future periods		16,930	13,526
Restricted by donors in perpetuity		111,758	104,088
Endowment appreciation available, net of approved spending		73,834	43,420
Split interest arrangements		409	390
Total amounts unavailable within one year		318,603	297,253
Other board designated funds:			
Board-designated as quasi endowment, unavailable without board approval		288,757	239,578
Board-designated art fund, unavailable without board approval		197	197
Financial assets available to meet general expenditures within one year	$	29,649	57,478

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 12 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 12 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 negative cash generated by operations for the years ended June 30, 2021 and 2020. 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. As of June 30, 2021 and June 30, 2020, $14,421 and $30,000 of borrowings was outstanding, respectively. See note 8 for more information on these two arrangements.

(16) Subsequent Events

The university evaluated subsequent events after the consolidated balance sheet date of June 30, 2021 through October 28, 2021, the date on which the consolidated financial statements were issued and determined that the following additional disclosures should be included:

On September 9, 2021, the university sold a facility located at 118 W. 13th Street for $22,850 and used $14,802 to pay off outstanding debt incurred from the original purchase.

(Dollars in thousands)

(17) Financial Responsibility Standards

The university participates in federal Title IV student financial assistance programs, which require the university to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited financial statements submitted through ED's EZ Audit system. The composite score has been and will continue to be based on three ratios: primary reserve, equity, and net income. The following inputs to these ratios as of and for the year ended June 30, 2021 are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements.

Data element	Direct input to ratio		Amount
Composition of land, buildings, and equipment:			
Pre-implementation land, buildings, and equipment, net	Primary reserve	$	680,817
Post-implementation land, buildings, and equipment, net	Primary reserve		31,482
Construction in progress	NA		2,948
Total land, buildings, and equipment, net (consolidated balance sheet)	NA	$	715,247
Pre-implementation land, buildings, and equipment were acquired prior to July 1, 2019.			
Post-implementation land, buildings, and equipment were acquired after July 1, 2019.			
Composition of long-term debt:			
Pre-implementation long-term debt, net	Primary reserve	$	573,282
Post-implementation long-term debt, net	NA		—
Total long-term debt, net (consolidated balance sheet)	NA	$	573,282
All debt is considered pre-implementation long-term debt as it was issued prior to July 1, 2019.			
Composition of investment return without donor restrictions:			
Non-operating – Endowment return	NA	$	58,718
Endowment return appropriated for operations	NA		(9,769)
Total investment return without donor restrictions:		$	48,949
Severance cost	Primary reserve	$	503
Gain on sale of real estate	Net income		977
Changes in postretirement health plan	Net income		717

THE NEW SCHOOL

Schedule of Financial Responsibility Data

Year ended June 30, 2021

(Amounts in thousands)

Data element	Source of data element in consolidated financial statements or related notes to the consolidated financial statements		Amount
Primary reserve ratio – expendable net assets:			
Net assets without donor restrictions	Consolidated balance sheet	$	336,004
Net assets with donor restrictions	Consolidated balance sheet		259,746
Net assets with donor restrictions – perpetual	Note 10		121,206
Split interest agreements with donor restrictions	Note 10		409
Postretirement health plan	Note 13		3,836
Pre-implementation land, buildings, and equipment – net	Note 17		680,817
Post-implementation land, buildings, and equipment – net	Note 17		31,482
Construction in progress	Note 17		2,948
Operating lease right-of-use assets	Consolidated balance sheet		386,054
Operating lease liabilities	Consolidated balance sheet		413,015
Pre-implementation long-term debt	Consolidated balance sheet		573,282
Primary reserve ratio – total expenses and losses without donor restrictions:			
Total operating expenses	Consolidated statement of activities		385,391
Severance cost	Note 17		503
Equity ratio – modified net assets:			
Net assets without donor restrictions	Consolidated balance sheet		336,004
Net assets with donor restrictions	Consolidated balance sheet		259,746
Equity ratio – modified assets:			
Total assets	Consolidated balance sheet		1,686,850
Net income ratio – change in net assets without donor restrictions:			
Decrease in net assets without donor restrictions	Consolidated statement of activities		(16,191)
Net income ratio – total revenue and gains without donor restrictions:			
Total operating revenues	Consolidated statement of activities		319,057
Changes in postretirement health plan	Note 17		717
Gain on sale of real estate	Note 17		977
Nonoperating investment return, net	Note 17		48,949

See accompanying independent auditors’ report.

THE NEW SCHOOL

Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Federal grantor/pass-through grantor/program or cluster title	Federal assistance listing number (ALN)	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		$ —	5,470,609
Federal Supplemental Educational Opportunity Grants Program	84.007		—	821,678
Federal Work-Study Program	84.033		—	442,318
Federal Direct Student Loans (note 3)	84.268		—	46,206,447
Federal Perkins Loan Program (note 4)	84.038		—	4,289,429
Total Student Financial Aid Cluster			—	57,230,481
Research and Development Cluster:				
U.S. National Science Foundation:				
Division of Social Sciences:				
Doctoral Dissertation Research:				
An Empirical Study of Technologies Improvisation	47.075		—	290
Financial Technologies: New Financial Markets, and Socio-Economic Life	47.075		—	2,502
Forming Collective Memories: From local influences to global mnemonic convergence	47.075		—	84,871
Collaborative Research: Video Communication Technologies in Survey Data Collection	47.075		—	10,844
Urban Resilience to Extreme Weather Related Events (pass through from Arizona State University)	47.075	16-841	—	37
Collaborative Research: The Emergence of New Capital Markets	47.075		—	40,312
Intergroup conflict and beliefs in supernatural entities concerned with moral behavior	47.075		—	47,962
Division of Chemical, Bioengineering, Environmental, and Transport Systems (CBET):				
RAPID: Interdependent social vulnerability of COVID-19 and weather related hazards in New York City	47.041		—	192,403
Division of International Science & Engineering:				
Collaborative Research: Accel-Net: Nature-Based solutions for urban Resilience in the Anthropocene (NATURA)	47.079		13,141	142,804
Division of Integrative Services:				
GCR: Convergence: Converging social, ecological, and technological infrastructure systems (SETS) for urban resilience (pass through Arizona State University)	47.083	ASUB00000419	—	177,407
Division of Environmental Biology:				
RAPID: Collaborative Research: Metapopulation Modeling to Develop Strategies to Reduce COVID-19 Transmission in Public Spaces	47.074		—	26,853
Department of Human and Health Services:				
National Institute of Health:				
The Mount Sinai Transdisciplinary Center on Early Environmental:				
Exposures (pass through Icahn School of Medicine at Mount Sinai)	93.113	0254-3962-4609	—	6,844
Reducing Stigma Among Healthcare Providers to Improve Mental Health Services (pass through George Washington University)	93.242	20-M102	—	52,070
U.S. Department of Defense:				
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	—	92,990
U.S. Department of Energy:				
NGLS Indoor Evaluations (pass through Pacific Northwest National Laboratory)	81.UNK	474145	—	24,116
2020 NGLS Indoor Evaluations (pass through Pacific Northwest National Laboratory)	81.UNK	DE-AC05-76RL01830	—	34,534
Total Research and Development Cluster			13,141	936,839
Other Programs:				
National Endowment for the Humanities:				
Charles Chesnutt: A Digital Archive (pass through from University of Nebraska – Lincoln)	45.149	25-1620-0043-002	—	4,000
The Complete Short Stories of Charles Chesnutt	45.161		38,424	106,567
Trace Material	45.164		—	131,868
Total National Endowment for the Humanities			38,424	242,435
National Endowment for the Arts:				
BPL Reentry Blueprint	45.024		—	4,347
New School Concerts	45.024		—	15,000
Total National Endowment for the Arts			—	19,347
U.S. Department of State:				
Human Rights, Research, Recording and Reporting	19.040		2,160	15,794
U.S. Department of Commerce:				
New Approaches to Analyzing Social Media Content for Enhancing Census Bureau Data (pass through University of Michigan)	11.016	SUBK00013707	—	25,585
United States Agency for International Development:				
LASER Partners for University-LED Solutions Engine PULSE (pass through Purdue University)	98.UNK	F9002550402109	—	2,924
Federal Emergency Management Agency:				
City Agency Data Coordination Project (passthrough New York City Department of Social Services/Human Resources Administration)	97.UNK	06921E8008KXLA001	—	90,033
Department of Education:				
COVID-19 Higher Education Emergency Relief Fund Student Portion	84.425E		—	1,911,569
COVID-19 Higher Education Emergency Relief Fund Institutional Portion	84.425F		—	12,669,252
Total U.S. Department of Education			—	14,580,821
Total expenditures of federal awards			$ 53,725	73,144,259

See accompanying notes to schedule of expenditures of federal awards.

THE NEW SCHOOL

Notes to Schedule of Expenditures of Federal Awards

June 30, 2021

(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, 2021. 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, 2021 or the specific requirements of the particular grant.

(3) Federal Direct Student Loans (ALN #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 (ALN #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, 2021 and 2020 was $4,077,148 and $4,289,429, 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, 2021, 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 28, 2021, except as to note 17, which is as of September 29, 2022.

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) as a basis for designing 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 financial statements. 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 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 28, 2021, except as to note 17,
which is as of September 29, 2022

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, 2021. 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, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to this matter.

The university's response to the noncompliance finding 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 the audit finding included in our auditors' report. The university's response and corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response 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 2021-001 that we consider to be a significant deficiency.

The university's response to the internal control over compliance finding 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 the audit finding included in our auditors' report. The university's response and corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response 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.

KPMG

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, 2021 and 2020, and have issued our report thereon dated October 28, 2021, except as to note 17, which is as of September 29, 2022 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, 2021 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2021 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 2021 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 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 2021 consolidated financial statements or to the 2021 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 2021 consolidated financial statements as a whole.

KPMG LLP

September 29, 2022

THE NEW SCHOOL

Schedule of Findings and Questioned Costs

June 30, 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 (2021-001)**

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

(f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **Yes (2021-001)**

(g) Major programs:

- **Student Financial Assistance Cluster (various ALN)**
- **Higher Education Emergency Relief Fund – ALN 84.425E and 84.425F**

(h) Dollar threshold used to distinguish between Type A and Type B programs: **$2,194,328**

(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

2021-001 Significant Deficiency and Noncompliance: Enrollment Reporting

Federal Program

Student Financial Assistance Cluster:

Federal Pell Grant Program ALN 84.063

Federal Direct Student Loans, ALN 84.268

Federal Agency

U.S. Department of Education

Federal Award Year: July 1, 2020 to June 30, 2021

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

Criteria

In accordance with 34 CFR Section 685.309 and 690.83, under the Pell grant and Department of Education (ED) loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file [formerly the Student Status Confirmation Report (SSCR)] placed in their Student Aid Internet Gateway (SAIG) mailboxes sent by ED via National Student Loan Data System (NSLDS). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days.

A student's enrollment status determines eligibility for in school status, deferment, and grace periods, as well as for the payment of interest subsidies to the Federal Family Education Loan (FFEL) Program loan holders by ED. Enrollment Reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for students, unless a roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves of absence.

Further, the non-Federal entity must establish and maintain an effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and terms and conditions of the Federal award (2 CFR 200.303).

Condition and Context

We tested a sample of 40 students whose status changed, including students who graduated, withdrew or went on an approved leave of absence. For 4 students in our sample who graduated during fiscal 2021, the university did not report the status change to the NSLDS within the required 60 days. The submissions for the four students were done 63, 117, 119 and 191 days after the university became aware of the students' change in status.

Cause and Effect/Potential Effect

The university uses a third-party service provider to report enrollment information to the NSLDS. The service provider reviews the enrollment information submitted by the university and provides error reports for among other things, inconsistent enrollment data. The sampled students were captured in an error report; however, the individual responsible for reporting the enrollment status for graduates did not review the error report, correct the error and resubmit to the third-party servicer in a timely manner.

Questioned Costs

There are no known questioned costs related to this finding.

Repeat Finding

This finding is a repeat of a finding in the immediately prior audit and the prior year finding number was 2020-002.

Recommendation

We recommend that the university reinforces its policies and procedures to ensure persons responsible for monitoring exception reports from the service provider, review these reports to ensure compliance with the requirement of submitting accurate and complete enrollment reports in a timely manner. We also recommend that management perform a formal review of enrollment reports to ensure the information is complete and accurate prior to submission to NSLDS.

Views of Responsible Officials and Corrective Action

After a review of the 2020-2021 degree verify submissions to the National Student Clearinghouse (NSC), we identified an error in correcting our reporting files. The graduated “G” status was not applied correctly to a group of students conferred 2021-2022. This was a result of human error and the transition of a new Assistant University Registrar for Degree Conferral in March 2020 during the time the university was switching to remote work as a response to the pandemic.

As a result of this oversight, the procedures document for uploading and reporting degree conferral to the National Student Clearinghouse (NSC) has been thoroughly reviewed and updated. Updates have been made to the procedures highlighting the need to regularly review the “G Not Applied” error report that NSC provides after the submission of a file (typically within 2-5 business days from our submission). The Deputy University Registrar will also regularly check on the submission file and completion of the error reports for quality assurance purposes.

The New School
Corrective Action
Year ended June 30, 2021

Finding 2021-001 Significant Deficiency and Noncompliance: Enrollment Reporting

After a review of the 2020-2021 degree verify submissions to the National Student Clearinghouse (NSC), we identified an error in correcting our reporting files. The graduated “G” status was not applied correctly to a group of students conferred 2021-2022. This was a result of human error and the transition of a new Assistant University Registrar for Degree Conferral in March 2020 during the time the university was switching to remote work as a response to the pandemic.

As a result of this oversight, the procedures document for uploading and reporting degree conferral to the National Student Clearinghouse (NSC) has been thoroughly reviewed and updated. Updates have been made to the procedures highlighting the need to regularly review the “G Not Applied” error report that NSC provides after the submission of a file (typically within 2-5 business days from our submission). The Deputy University Registrar will also regularly check on the submission file and completion of the error reports for quality assurance purposes.

Person Responsible for Corrective Action

Grace Fend, Deputy University Registrar

Anticipated completion date

December 31, 2022

THE NEW SCHOOL

The New School
Summary of Prior Year Findings
Year ended June 30, 2021

(1) Finding 2020-001 Significant Deficiency and Noncompliance: Reporting

Corrective Action

In addition to the monthly reconciliation of the School Account Statement (SAS), management has designed and implemented a weekly reconciliation to ensure the accuracy and completeness of reports submitted to COD. The additional control ensures the institution meets the compliance requirement to report student payment data within 15 calendar days. The Reconciliation Report is run on Thursday of each week, includes both Pell and DL transactions and is designed to triangulate the dates of disbursement, student account posting and COD dates. The process identifies any discrepancies for the Pell and DL Program Managers to review and correct by close of business that week. The Associate Director of Compliance is 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 are logged for historical reference moving forward.

Person Responsible for Corrective Action

Dierdre Bairstow-Allen, Senior Director of Financial Aid

Completion Date

June 30, 2020

Update September 20, 2022

Weekly reconciliations are prepared and review is done by the Associate Director of Compliance. Monthly reconciliations occur to triangulate all information from COD, disbursement dates and posting to the general ledger as well as a monthly meeting with the Finance to ensure accuracy and completeness.

(2) Finding 2020-002 Significant Deficiency and Noncompliance: Enrollment Reporting

Corrective Action

After a review of the 2019-2020 degree verify submissions to the National Student Clearinghouse (NSC), we identified an error in correcting our reporting files. The graduated "G" status was not applied correctly to a group of students conferred in the spring 2020 and summer 2020 terms. This was a result of human error and the transition of a new Assistant University Registrar for Degree Conferral in March 2020 during the time the university was switching to remote work as a response to the COVID-19 pandemic. For the spring and summer 2020 terms, 37 recipients of federal financial aid did not have their "G" status applied in a timely manner.

As a result of this oversight, the procedures document for uploading and reporting degree conferral to the National Student Clearinghouse (NSC) has been thoroughly reviewed and updated. Updates have been made to the procedures highlighting the need to regularly review the "G Not Applied" error report that NSC provides after the submission of a file (typically within 2-5 business days from our submission). The Associate University Registrar will also regularly check on the submission file and completion of the error reports for quality assurance purposes.

Person Responsible for Corrective Action

Rebecca Hunter, Vice President & University Registrar

Completion Date

March 31, 2021

Update September 19, 2022

Updates to process for "G" status are ongoing. We are reviewing regularly to not only report the "G" status to the Clearinghouse but also reviewing to ensure that they are updating students records accordingly.