



## **THE NEW SCHOOL**

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

June 30, 2022

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

# THE NEW SCHOOL

## Table of Contents

	<b>Page</b>
Independent Auditors' Report	1
Financial Statements:	
Consolidated Balance Sheets	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Supplementary Schedule of Financial Responsibility Data	35
Schedule of Expenditures of Federal Awards	36
Notes to Schedule of Expenditures of Federal Awards	37
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 <i>Government Auditing Standards</i>	38
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	40
Schedule of Findings and Questioned Costs	43



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## Independent Auditors' Report

The Board of Trustees  
The New School:

### Report on the Audit of the Consolidated Financial Statements

#### *Opinion*

We have audited the consolidated financial statements of The New School (the university), which comprise the consolidated balance sheets as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the university as of June 30, 2022 and 2021, and the consolidated changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

#### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are



considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the university's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the university's ability to continue as a going concern for a reasonable period of time.

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

#### *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, 2022, is presented for purposes of additional analysis as required by the US Department of Education, and is not a required part of the 2022 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 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 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 2022 consolidated financial statements or to the 2022 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 2022 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 27, 2022, except as to note 17, which is as of March 28, 2023 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 27, 2022, except as to note 17  
and our report on the supplementary  
schedule of financial responsibility data,  
which are as of March 28, 2023

**THE NEW SCHOOL**

Consolidated Balance Sheets

June 30, 2022 and 2021

(Dollars in thousands)

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 7,480	6,171
Student accounts receivable, net (note 4)	13,224	17,359
Contributions receivable, net (note 6)	27,797	30,125
Investments (note 5)	444,308	486,849
Deferred charges and other assets	19,826	19,265
Funds held by bond trustees (note 9)	51,066	23,782
Student loans receivable, net (note 4)	1,793	1,998
Operating right-of-use assets (note 12)	338,854	386,054
Land, buildings, and equipment, net (notes 7, 8 and 14)	808,019	715,247
Total assets	\$ 1,712,367	1,686,850
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities (notes 8, 12, and 13)	\$ 71,028	67,866
Deferred revenue and other liabilities (notes 3 and 4)	11,406	21,548
Federal Perkins student loan advances	871	968
Short-term debt (note 8)	—	14,421
Operating lease liabilities (note 12)	370,692	413,015
Long-term debt, net (note 8)	698,342	573,282
Total liabilities	1,152,339	1,091,100
Commitments and contingencies (notes 5, 8, 12, and 13)		
Net assets (note 10):		
Without donor restrictions	314,924	336,004
With donor restrictions	245,104	259,746
Total net assets	560,028	595,750
Total liabilities and net assets	\$ 1,712,367	1,686,850

See accompanying notes to consolidated financial statements.

**THE NEW SCHOOL**

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	<b>2022</b>	<b>2021</b>
Change in net assets without donor restrictions:		
Operating revenues:		
Student tuition and fees (net of scholarship allowance of \$154,366 and \$147,178 for the years ended June 30, 2022 and 2021, respectively) (note 4)	\$ 344,328	255,449
Contributions	2,409	1,448
Grants and contracts	4,115	3,556
Endowment return appropriated for operations (notes 5 and 10)	11,849	9,767
Auxiliary activities (note 4)	48,305	5,116
Other income	14,084	14,128
Net assets released from restrictions (note 10)	46,458	29,593
Total operating revenues	471,548	319,057
Operating expenses (note 11):		
Instruction and departmental research	162,948	129,491
Sponsored research and public services	20,713	15,043
Academic support	88,799	82,086
Student services	52,151	33,181
Auxiliary activities	58,286	48,142
Institutional support	77,335	77,448
Total operating expenses	460,232	385,391
Change in net assets from operating activities before gain on sale of building	11,316	(66,334)
Gain on sale of building (note 7)	4,990	—
Change in net assets from operating activities	\$ 16,306	(66,334)

**THE NEW SCHOOL**

Consolidated Statements of Activities

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	<b>2022</b>	<b>2021</b>
Change in net assets from operating activities, brought forward:	\$ 16,306	(66,334)
Nonoperating activities:		
Endowment (loss) return (notes 5 and 10)	(27,494)	58,718
Endowment (loss) return appropriated for operations (notes 5 and 10)	(11,849)	(9,767)
Other, net	871	1,192
Gain on debt defeasement	1,086	—
Change in net assets without donor restrictions	(21,080)	(16,191)
Change in net assets with donor restrictions:		
Contributions	31,118	27,806
Grants and contracts	21,700	9,556
Endowment (loss) return (notes 5 and 10)	(19,136)	38,498
Other, net	(1,866)	(518)
Net assets released from restriction (note 10)	(46,458)	(29,593)
Change in net assets with donor restrictions	(14,642)	45,749
Change in net assets	(35,722)	29,558
Net assets at beginning of year	595,750	566,192
Net assets at end of year	\$ 560,028	595,750
Certain amounts disaggregated above are presented below in the aggregate:		
Contributions	\$ 33,527	29,254
Endowment return	(46,630)	97,216
Endowment return appropriated for operations	19,855	16,412

See accompanying notes to consolidated financial statements.



**THE NEW SCHOOL**  
Consolidated Statements of Cash Flows  
Years ended June 30, 2022 and 2021  
(Dollars in thousands)

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ (35,722)	29,558
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	27,601	26,326
Provision for uncollectible student receivables	5,457	5,936
Amortization of net bond premium and deferred charges	(2,184)	(1,392)
Gain on debt defeasement	(1,086)	—
Net realized and unrealized gain (loss) on investments	33,695	(102,774)
Amortization of operating right-of-use assets, net of interest expense	41,414	42,630
Deferred rent adjustment	304	—
Gain on sale of building	(4,990)	—
Contributions and grants restricted for:		
Investment in endowment	(6,003)	(7,671)
Changes in operating assets and liabilities:		
Student accounts receivable	(1,322)	(7,346)
Contributions receivable	2,004	(582)
Deferred charges and other assets	(561)	2,447
Operating right-of-use assets and operating lease liabilities, net	(36,841)	(33,864)
Accounts payable and accrued liabilities	3,151	12,377
Deferred revenue	(10,142)	13,404
Net cash provided by (used in) operating activities	14,775	(20,951)
Cash flows from investing activities:		
Purchase of investments	(154,436)	(215,104)
Proceeds from sales of investments	170,961	257,820
Purchase of fixed assets	(13,313)	(7,996)
Purchase of building	(124,920)	—
Proceeds from sale of building	22,850	—
Change in accounts payable for fixed assets	11	(11)
Student loans collected, net	205	352
Net cash (used in) provided by investing activities	(98,642)	35,061
Cash flows from financing activities:		
Proceeds from issuance of debt, net of issuance costs	171,513	—
Defeasance of debt	(29,239)	—
Cost of issuance of debt	(1,259)	—
Payments on short-term debt	(14,421)	(15,579)
Payments on long-term debt	(12,685)	(11,231)
Change in funds held by bond trustees	(8,548)	(14,378)
Change in contributions receivable restricted for endowment	324	1,042
Contributions restricted for endowment	6,003	7,671
Change in Federal Perkins student loan advances	(97)	(322)
Net cash provided by (used in) financing activities	111,591	(32,797)
Net change in cash, cash equivalents, and restricted cash	27,724	(18,687)
Cash, cash equivalents, and restricted cash – beginning of year	24,618	43,305
Cash, cash equivalents, and restricted cash – end of year	\$ 52,342	24,618
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	\$ 7,480	6,171
Restricted cash included in investments	16,722	9,043
Restricted cash included in bonds held by trustees	28,140	9,404
Total cash, cash equivalents, and restricted cash shown above	\$ 52,342	24,618
Supplemental information:		
Interest paid	\$ 24,289	23,053
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)

See accompanying notes to consolidated financial statements.

## THE NEW SCHOOL

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

### (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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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:

	<u>Estimated useful life</u>
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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

#### **(e) Contributions and Contributions Receivable**

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

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, 2022 and 2021, the university received conditional promises to give of approximately \$32,400 and \$32,000, 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, 2022 and 2021, assets associated with split interest gifts approximate \$414 and \$409, 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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

*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 \$4,328 and \$3,675 for fiscal years 2022 and 2021, 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 operating lease liabilities using the 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, 2022 and 2021.

#### **(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 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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

#### (l) Leases

In 2021, 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* (Topic 606) and *Leases* (Topic 842): *Effective Dates for Certain Entities*.

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 statements 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.

#### (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 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, 2022 and 2021, \$370 and \$8,819 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.

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

**(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):

	<b>2022</b>	<b>2021</b>
Undergraduates	7,745	7,049
Graduates	3,255	3,021
	11,000	10,070
New York	19 %	33 %
Other domestic	47	20
Other countries	34	47
	100 %	100 %

**(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:

	<b>2022</b>	<b>2021</b>
University support	\$ 147,897	140,170
Sponsored support	6,469	7,008
	\$ 154,366	147,178

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.

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

**(c) Student Accounts and Loans Receivable**

Student accounts and loans receivables consisted of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Student accounts receivable:		
Student accounts receivable	\$ 37,461	42,373
Less allowance for uncollectible accounts	(24,237)	(25,014)
	\$ 13,224	17,359
Student loans receivable:		
Student loans (Perkins loans)	\$ 3,889	4,077
Less allowance for uncollectible loans	(2,096)	(2,079)
	\$ 1,793	1,998

**(d) Deferred Revenue and Other Liabilities**

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, which are recognized over the life of the contract.

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

	<b>2022</b>	<b>2021</b>
Deferred student tuition and fees	\$ 7,299	10,033
Higher Education Emergency Relief Funds	370	8,819
Other liabilities	3,737	2,696
	\$ 11,406	21,548



**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

**(5) Investments**

Investments at fair value consisted of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Endowment investments:		
Cash and cash equivalents	\$ 16,611	38,332
Public equity	73,255	121,223
Fixed income	43,887	66,315
Hedge funds	153,404	153,555
Private equity	83,737	64,365
Real assets	49,596	33,270
	420,490	477,060
Operating and other investments:		
Cash and cash equivalents	23,183	9,393
Public equity	538	300
Fixed income	97	96
Real assets	—	—
	23,818	9,789
	\$ 444,308	486,849

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 \$1,860 as of June 30, 2022.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

*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, 2022.

*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 \$35,187 as of June 30, 2022.

*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, 2022.

*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 \$17,643 as of June 30, 2022.

Investment return on endowment, 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:

	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Investment return has been allocated as follows:			
Operating, pursuant to the university’s endowment spending policy	\$ 11,849	8,006	19,855
Operating, other income	82	2	84
Nonoperating investment activity	(39,343)	(27,142)	(66,485)
Total investment return, net	\$ (27,412)	(19,134)	(46,546)

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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	<u>\$ 58,787</u>	<u>38,498</u>	<u>97,285</u>

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:

	<b>2022</b>			<b>Redemption/ liquidation</b>
	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>	
Cash and cash equivalents	\$ 39,794	—	39,794	Daily
Equity securities:				
Domestic	711	—	711	Daily
Fixed income:				
U.S. government – backed	29,813	—	29,813	Daily
Real assets:				
Commodities	20,957	—	20,957	Daily
Investments measured at net asset value:				
Fixed income	—	—	14,171	Annual to no redemptions
Hedge funds	—	—	153,404	Monthly to no redemptions
Private equity	—	—	83,737	No redemptions
Public equity	—	—	73,082	Monthly to semi-annual
Real estate	—	—	28,639	No redemptions
	<u>—</u>	<u>—</u>	<u>353,033</u>	
Total	<u>\$ 91,275</u>	<u>—</u>	<u>444,308</u>	

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

	<b>2021</b>			<b>Redemption/ liquidation</b>
	<b>Level 1</b>	<b>Level 3</b>	<b>Total</b>	
Cash and cash equivalents	\$ 47,725	—	47,725	Daily
Equity securities:				
Domestic	501	—	501	Daily
Fixed income:				
U.S. government – backed	57,087	—	57,087	Daily
Real assets:				
Commodities	20,698	—	20,698	Daily
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	
<b>Total</b>	\$ <b>126,011</b>	<b>—</b>	<b>486,849</b>	

Investments at June 30, 2022 and 2021 are summarized in the following tables by their investment liquidity profile:

	<b>2022</b>			<b>2021</b>		
	<b>Endowment</b>	<b>Operating</b>	<b>Total</b>	<b>Endowment</b>	<b>Operating</b>	<b>Total</b>
Daily	\$ 67,457	23,818	91,275	116,221	9,789	126,010
Monthly	76,508	—	76,508	108,287	—	108,287
Quarterly	77,369	—	77,369	91,939	—	91,939
Semi-annual	21,831	—	21,831	16,712	—	16,712
Annual	31,452	—	31,452	13,699	—	13,699
Illiquid	145,873	—	145,873	130,202	—	130,202
<b>Total</b>	\$ <b>420,490</b>	<b>23,818</b>	<b>444,308</b>	<b>477,060</b>	<b>9,789</b>	<b>486,849</b>

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

**(6) Contributions Receivable**

Contributions receivable are expected to be collected as follows at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Amounts expected to be collected:		
In one year or less	\$ 16,768	21,318
In one year to five years	9,032	12,550
In more than five years	6,075	8,727
	31,875	42,595
Less:		
Allowance for uncollectible amounts	(3,146)	(11,227)
Discount to present value (at rates ranging from 0.07% to 5.15%)	(932)	(1,243)
	\$ 27,797	30,125

The amounts receivable from 10 donors represent approximately 76% and 82% of the gross receivables as of June 30, 2022 and 2021, respectively. The top 5 donors represent 41% and 59% of total contributions revenue for the years ended June 30, 2022 and 2021, respectively.

**(7) Land, Buildings, and Equipment**

Land, buildings, and equipment consisted of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Land and air rights	\$ 98,207	81,107
Buildings and building improvements	872,893	778,465
Leasehold improvements	83,877	84,397
Furniture and equipment	38,979	39,053
Construction in progress (note 14)	3,398	2,948
	1,097,354	985,970
Less accumulated depreciation	(289,335)	(270,723)
Total land, buildings, and equipment – net	\$ 808,019	715,247

On September 9, 2021, the university sold a facility located at 118 W. 13th Street for \$22,850. The net carrying value on the date of the sale was \$17,770. The university recognized an operating gain of \$4,990 (net of closing costs) in fiscal year 2022 reported in the consolidated statement of activities. The university used \$15,000 of the proceeds to pay off outstanding debt (note 8) incurred from the original purchase.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

On March 31, 2022, the university closed on the purchase of a building located within the current campus area for the purchase price of \$125,000. The university issued Dormitory Authority of the State of New York tax exempt bonds to fund the purchase (note 8).

#### (8) Debt

Long-term debt consisted of the following at June 30, 2022 and 2021:

Description	date	Interest rate	2022	2021
Dormitory Authority of the State of New York Revenue Bonds:				
Series 2022A	July 1, 2052	4.00%-5.00%	\$ 143,200	—
Series 2022B	July 1, 2052	2.55%-3.25%	10,090	—
Series 2016A	July 1, 2050	3.00%–5.00%	310,995	316,040
Series 2016B	July 1, 2038	3.00%–5.00%	72,555	75,665
Series 2015	July 1, 2050	3.00%–5.00%	106,155	116,025
Series 2011	July 1, 2031	4.00%–5.00%	—	23,985
Promissory note	January 1, 2023	1.00%	504	1,504
			<u>643,499</u>	<u>533,219</u>
Less:				
Unamortized bond issuance costs			(3,470)	(3,387)
Unamortized discount			(190)	(278)
Add unamortized premium			58,503	43,728
			<u>\$ 698,342</u>	<u>573,282</u>

In March 2022, the university issued \$143,200 Series 2022A tax-exempt serial and term bonds and \$10,090 Series 2022B taxable serial and bonds through the Dormitory Authority of the State of New York (the Dormitory Authority). The bonds financed the acquisition and renovation of a dormitory facility previously being leased by the university and advance refund all outstanding Series 2011 bonds totaling \$16,925. Net premiums received at the time of issuance of the 2022 bonds totaled \$18,224 (\$18,073 unamortized at June 30, 2022). The Series 2022A serial bonds are due in varying annual installments commencing in fiscal years 2024 through 2033. The term bonds are due in fiscal years 2047 and 2052. The Series 2022B serial bonds are due in varying annual installments commencing in fiscal years 2024 through 2025. The university pledged tuition and fee revenue in connection with the issuance. There are no related mortgage pledges or financial covenants.

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. 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 2022 through 2051. Net premiums received at the time of issuance of the 2016 bonds totaled \$34,172 (\$28,420 unamortized at June 30, 2022). The Series 2016A serial bonds are due in varying annual installments commencing in fiscal years 2022 through 2038. The term bonds are

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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 (\$11,820 unamortized at June 30, 2022). 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.

The Series 2015 loan agreement requires 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, 2022, 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. \$504 and \$1,504 was outstanding as of June 30, 2022 and 2021, respectively.

For the years ended June 30, 2022 and 2021, interest expense totaled \$26,288 and \$22,827, respectively. At June 30, 2022 and 2021, interest payable included in accounts payable and accrued liabilities was \$12,809 and \$12,055, respectively.

At June 30, 2022, aggregate principal maturities of long-term debt for each of the next fiscal years and thereafter are as follows:

Fiscal year ending June 30:	
2023	\$ 8,909
2024	12,085
2025	13,140
2026	15,425
2027	16,085
Thereafter	<u>577,855</u>
	<u>\$ 643,499</u>

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

#### *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 plus 0.75% to be secured by treasuries, money market and exchange-traded funds. There were no borrowings outstanding as of June 30, 2022 and \$14,421 borrowings were outstanding as of June 30, 2021.

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 Bloomberg Short-Term Bank Yield Index rate (BSBY) plus 1%. The BSBY 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, 2022 and 2021.

#### **(9) Funds Held by Bond Trustees**

Debt service funds held by the bond trustees consisted of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 49,686	23,782
U.S. Treasury Securities	1,380	—
	<u>\$ 51,066</u>	<u>23,782</u>

The funds held by bond trustees at June 30, 2022 and 2021 are reported at fair value and are classified as Level 1 in the fair value hierarchy.



**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

**(10) Net Assets**

Net assets consisted of the following at June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Without donor restrictions:		
Board-designated endowment	\$ 248,904	288,757
Other board-designated	192	197
Net investment in plant	160,743	165,747
Undesignated	(94,915)	(118,697)
Total net assets without donor restriction	314,924	336,004
With donor restrictions:		
Subject to expenditure when a specified event occurs:		
Scholarships	3,297	3,197
Education and research	38,836	30,733
Contribution receivable	16,986	17,698
Other	5,362	4,162
Building construction and equipment	675	675
Split-interest agreements	414	409
	65,570	56,874
Endowment returns subject to future to appropriations:		
Scholarships	20,366	32,378
Education and research	31,384	45,171
General activities	2,773	4,117
	54,523	81,666
Total net assets restricted by time or purpose	120,093	138,540
Amounts with perpetual restrictions:		
Scholarships	33,099	31,149
Education and research	76,993	70,590
General activities	7,670	10,019
Contribution receivable	7,249	9,448
Total net assets with perpetual restrictions	125,011	121,206
Total net assets with donor restrictions	245,104	259,746
Total net assets	\$ 560,028	595,750

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

#### *Endowment*

The university's endowment is comprised of 342 individual funds at June 30, 2022, 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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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.
- Effective for fiscal year 2022 the board approved a new spending policy to eliminate the soft landing approach to achieve the 4% spending rate. Instead, the board approved a gradual approach to the 4% spending policy to be achieved over a 3 year period. For fiscal year 2022, all endowment funds will be appropriated at a 5% spend rate. For fiscal year 2023, all endowment funds will be appropriated at a 4.5% spend rate. For fiscal year 2024, all endowment funds will be appropriated at a 4% spend rate. The board reduced the number of previous quarters' market values used to calculate the appropriation from 16 to 12.

In accordance with the spending policy, \$19,855 and \$16,412 of endowment return was made available in fiscal years 2022 and 2021, 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, 2022 and 2021:

	<b>2022</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds	\$ —	172,285	172,285
Board-designated endowment funds	248,904	—	248,904
Total endowment net assets	\$ 248,904	172,285	421,189

	<b>2021</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, as of June 30, 2021	\$ 288,757	193,424	482,181
Net investment loss	(27,494)	(19,136)	(46,630)
Contributions, net	—	6,003	6,003
Appropriation for spending	(11,849)	(8,006)	(19,855)
Transfer from board-designated funds	(510)	—	(510)
Endowment net assets, as of June 30, 2022	<u>\$ 248,904</u>	<u>172,285</u>	<u>421,189</u>

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

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

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 \$1,640 and \$165 at June 30, 2022 and 2021, 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.

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

At June 30, 2022 and 2021, the amount by which funds was underwater was calculated as follows:

	<b>2022</b>	<b>2021</b>
Aggregate original gift amount	\$ 17,486	1,526
Aggregate fair value	(15,846)	(1,361)
Aggregate deficiency	\$ 1,640	165

*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 2022 and 2021 as follows:

	<b>2022</b>	<b>2021</b>
Scholarships and departmental activities	\$ 45,875	29,144
Payments received on pledges	583	449
Total net assets released from restrictions	\$ 46,458	29,593

**(11) Expenses**

Expenses by functional classification for fiscal years 2022 and 2021 are as follows:

<b>Functional expenses</b>	<b>2022</b>					<b>Total</b>
	<b>Salaries and benefits</b>	<b>Occupancy costs</b>	<b>General business expenses</b>	<b>Professional services</b>	<b>Interest and depreciation</b>	
Instruction and departmental research	\$ 128,219	14,872	2,079	1,507	16,271	162,948
Sponsored research and public services	11,456	1,104	3,757	4,026	370	20,713
Academic support	52,546	9,486	7,948	9,771	9,048	88,799
Student services	23,996	1,475	20,804	4,627	1,249	52,151
Auxiliary activities	3,811	31,754	3,346	577	18,798	58,286
Institutional support	41,392	6,059	14,469	8,507	6,908	77,335
Total	\$ 261,420	64,750	52,403	29,015	52,644	460,232

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

Functional expenses	2021					Total
	Salaries and benefits	Occupancy costs	General business expenses	Professional services	Interest and depreciation	
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	<u>\$ 222,059</u>	<u>56,975</u>	<u>31,201</u>	<u>26,003</u>	<u>49,153</u>	<u>385,391</u>

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

Functional expenses	2022			2021		
	Interest	Operation and maintenance of plant	Depreciation	Interest	Operation and maintenance of plant	Depreciation
Instruction and departmental research	\$ 6,253	22,118	10,017	5,974	16,613	9,745
Sponsored research and public services	112	1,525	259	73	1,248	239
Academic support	3,953	13,515	5,095	3,756	10,644	4,948
Student services	449	1,469	800	522	2,839	1,040
Auxiliary activities	12,083	8,178	6,715	10,347	5,457	5,582
Institutional support	2,193	8,200	4,715	2,155	8,053	4,772
Total	<u>\$ 25,043</u>	<u>55,005</u>	<u>27,601</u>	<u>22,827</u>	<u>44,854</u>	<u>26,326</u>

### *Fundraising*

Fundraising expenses of \$4,589 and \$3,779 for the years ended June 30, 2022 and 2021, 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 NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

The university has no material finance leases to report under ASU No. 2016-02, *Leases*, for the period ended June 30, 2022.

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, 2022.

	<b>Operating leases</b>
Year ending June 30:	
2023	\$ 28,750
2024	28,417
2025	28,577
2026	29,804
2027	29,856
2028 and thereafter	698,719
	844,123
Less discount for net present value	(473,431)
	\$ 370,692

Lease costs and other related information for the year ended June 30, 2022 were as follows:

Operating lease cost	\$	41,718
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	36,841
Weighted-average remaining lease term		30
Weighted-average discount rate		4.55 %

At June 30, 2022, construction commitments were approximately \$1,416.

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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

#### **(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 2022 and 2021 were \$14,789 and \$3,142, 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, 2022, 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.



## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

The percentage of the university's contributions to Local 840 Pension Fund as of December 31, 2021 and 2020 represents 90% and 78% 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	BN/Pension plan number	Pension protection act zone status		FIP/RP Status Pending/implemented	Contributions of The New School		Surcharge paid	Expiration date of collective bargaining agreement
					June 30 2022	June 30 2021		
Building Service 32BJ Benefit Fund	13-1879376/001	June 30, 2021 Red	June 30, 2020 Red	Yes	\$ 948	746	No	June 30, 2026
AFMEPF (802)	51-6120204/001	March 31, 2022 Red	March 31, 2021 Red	Yes	154	121	Yes	June 30, 2022
Local 840 Pension Fund (1205)	13-6304568/001	December 31, 2021 Red	December 31, 2020 Yellow	Yes	1,178	1,187	No	June 30, 2024
Central Pension Fund (Local 94)	36-6052390/001	January 31, 2021 Green	January 31, 2020 Green	No	78	66	N/A	December 31, 2022

The university is currently in the process of renegotiating the collective bargaining agreement for Local 802 (AFMEPF).

#### (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, 2022, and 2021, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was \$3,165 and \$3,836, 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 years ended June 30, 2022 and 2021, no such relationships existed.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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 university took possession of the facility in fall 2020 and uses the facility as a residence hall for its students.

Consistent with the policy discussed above, the decision to engage the entity 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, 2022 and 2021 are as follows:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 7,480	6,171
Student accounts receivable, net	13,224	17,359
Contributions receivable, net	27,797	30,125
Investments	444,308	486,849
Funds held by bond trustees	51,066	23,782
Student loans receivable, net	1,793	1,998
Total financial assets	545,668	566,284
Less those unavailable for general expenditures within one year, due to:		
Contributions receivable due beyond one year	13,420	18,970
Funds held by bond trustees	29,489	23,782
Student loans receivable, net	1,793	1,998
Restricted by donors for use in future periods	12,156	16,930
Restricted by donors in perpetuity	117,762	111,758
Endowment appreciation available, net of approved spending	35,474	73,834
Split interest arrangements	414	409
Total amounts available within one year	335,160	318,603
Other board designated funds:		
Board-designated as quasi endowment, unavailable without board approval	248,904	288,757
Board-designated art fund, unavailable without board approval	192	197
Financial assets available to meet general expenditures within one year	\$ 86,064	29,649

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(Dollars in thousands)

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, 2022 and 2021. 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. There were no borrowings outstanding as of June 30, 2022 and \$14,421 borrowings were outstanding as of June 30, 2021. 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, 2022 through October 27, 2022, the date on which the consolidated financial statements were issued and determined that no additional disclosures are needed.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2022 and 2021

(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, 2022 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	\$ 658,988
Post-implementation land, buildings, and equipment, net	Primary reserve	145,633
Construction in progress	NA	<u>3,398</u>
Total land, buildings, and equipment, net (consolidated balance sheet)	NA	<u>\$ 808,019</u>
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	\$ 527,236
Post-implementation long-term debt, net	NA	<u>171,106</u>
Total long-term debt, net (consolidated balance sheet)	NA	<u>\$ 698,342</u>
All debt is considered pre-implementation long-term debt as it was issued prior to July 1, 2019.		
Changes in postretirement health plan	Net income	\$ 871
Composition of total revenues and gains without donor restrictions:		
Total operating revenues	N/A	\$ 471,548
Endowment return appropriated for operations	N/A	(11,849)
Changes in postretirement health plan	N/A	871
Gain on sale of building	N/A	4,990
Gain on debt defeasement	NA	<u>1,086</u>
Total revenues and gains without donor restrictions	Net income	<u>\$ 466,646</u>

**THE NEW SCHOOL**

Schedule of Financial Responsibility Data

Year ended June 30, 2022

(Amounts in thousands)

<u>Data element</u>	<u>Source of data element in consolidated financial statements or related notes to the consolidated financial statements</u>	<u>Amount</u>
Primary reserve ratio – expendable net assets:		
Net assets without donor restrictions	Consolidated balance sheet	\$ 314,924
Net assets with donor restrictions	Consolidated balance sheet	245,104
Net assets with donor restrictions – perpetual	Note 10	125,011
Split interest agreements with donor restrictions	Note 10	414
Postretirement health plan	Note 13	3,165
Pre-implementation land, buildings, and equipment – net	Note 17	658,988
Post-implementation land, buildings, and equipment – net	Note 17	145,633
Construction in progress	Note 17	3,398
Operating right-of-use assets	Consolidated balance sheet	338,854
Operating lease liabilities	Consolidated balance sheet	370,692
Pre-implementation long-term debt	Note 17	527,236
Post-implementation long-term debt	Note 17	171,106
Primary reserve ratio – total expenses and losses without donor restrictions:		
Total operating expenses	Consolidated statement of activities	460,232
Equity ratio – modified net assets:		
Net assets without donor restrictions	Consolidated balance sheet	314,924
Net assets with donor restrictions	Consolidated balance sheet	245,104
Equity ratio – modified assets:		
Total assets	Consolidated balance sheet	1,712,367
Net income ratio – change in net assets without donor restrictions:		
Change in net assets without donor restrictions	Consolidated statement of activities	(21,080)
Net income ratio – total revenue and gains without donor restrictions:		
Total revenue and gains without donor restrictions	Note 17	466,646

See accompanying independent auditors' report.

**THE NEW SCHOOL**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

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
<b>Student Financial Assistance Cluster:</b>				
U.S. Department of Education:				
Federal Pell Grant Program	84.063		\$ —	6,209,768
Federal Supplemental Educational Opportunity Grants Program	84.007		—	974,143
Federal Work-Study Program	84.033		—	881,003
Federal Direct Student Loans (note 3)	84.268		—	59,656,328
Federal Perkins Loan Program (note 4)	84.038		—	4,077,148
Total Student Financial Assistance Cluster			—	71,798,390
<b>Research and Development Cluster:</b>				
U.S. National Science Foundation:				
Division of Social Sciences:				
Doctoral Dissertation Research:				
Financial Technologies: New Financial Markets, and Socio-Economic Life	47.075		—	6,888
Forming Collective Memories: From local influences to global mnemonic convergence	47.075		—	102,642
Collaborative Research: Video Communication Technologies in Survey Data Collection	47.075		—	9,050
Urban Resilience to Extreme Weather Related Events (pass through from Arizona State University)	47.075	16-841	—	10,000
Collaborative Research: The Emergence of New Capital Markets	47.075		—	85,291
Intergroup conflict and beliefs in supernatural entities concerned with moral behavior	47.075		—	185,305
Division of International Science & Engineering:				
Collaborative Research: Accel-Net: Nature-Based solutions for urban Resilience in the Anthropocene (NATURA)	47.079		13,141	120,774
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	—	254,390
Division of Environmental Biology:				
RAPID: Collaborative Research: Metapopulation Modeling to Develop Strategies to Reduce COVID-19 Transmission in Public Spaces	47.074		—	916
U.S. Department of Human and Health Services:				
National Institute of Health:				
The Mount Sinai Transdisciplinary Center on Early Environmental:				
Reducing Stigma Among Healthcare Providers to Improve Mental Health Services (pass through George Washington University)	93.242	20-M102	—	4,100
RECOUP-NY (pass through George Washington University)	93.242	R01-MH127767-01	—	129,635
Reward Devaluation, Positive Valence System Disturbance, and Impairment	93.242		—	62,982
U.S. Department of Energy:				
2020 NGLS Indoor Evaluations (pass through Pacific Northwest National Laboratory)	81.UNK	DE-AC05-76RL01830	—	41,107
Total Research and Development Cluster			13,141	1,013,080
<b>Other Programs:</b>				
National Endowment for the Humanities:				
Trace Material	45.164		—	53,117
Total National Endowment for the Humanities			—	53,117
National Endowment for the Arts:				
BPL Reentry Blueprint	45.024		—	24,663
New School Concerts	45.024		—	14,999
Total National Endowment for the Arts			—	39,662
U.S. Department of State:				
Human Rights, Research, Recording and Reporting	19.040		—	7,728
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	—	76,087
U.S. Agency for International Development:				
LASER Partners for University-LED Solutions Engine PULSE (pass through Purdue University)	98.UNK	F9002550402109	—	102,739
Federal Emergency Management Agency:				
City Agency Data Coordination Project (passthrough New York City Department of Social Services/Human Resources Administration)	97.UNK	06921E8008KXLA001	—	4,854
ArtEcho Cooper Hewitt Smithsonian	97.UNK		—	6,248
Total Federal Emergency Management Agency			—	11,102
U.S. Department of Education:				
Education Stabilization Fund:				
COVID-19 Higher Education Emergency Relief Fund Student Portion	84.425E		—	7,773,810
Total U.S. Department of Education			—	7,773,810
Total expenditures of federal awards			\$ 13,141	80,875,715

See accompanying notes to schedule of expenditures of federal awards.

## THE NEW SCHOOL

### Notes to Schedule of Expenditures of Federal Awards

June 30, 2022

#### **(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, 2022. 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, 2022 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, 2022 and 2021 was \$3,888,847 and \$4,077,148, 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 university's consolidated balance sheet as of June 30, 2022, 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 27, 2022, except as to note 17, which is as of March 28, 2023.

**Report on 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 or significant deficiencies may exist that were not identified.

**Report on 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

October 27, 2022, except as to note 17,  
which is as of March 28, 2023



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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**

#### *Opinion on Each Major Federal Program*

We have audited The New School's (the university) compliance with the types of compliance requirements identified as subject to audit 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, 2022. The university's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the university complied, in all material respects, with the 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, 2022.

#### *Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the university and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the university's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the university's federal programs.

#### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the university's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS,



*Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the university's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the university's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the university's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the university's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



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

We have audited the consolidated financial statements of the university as of and for the year ended June 30, 2022, and have issued our report thereon dated October 27, 2022, except as to note 17, which is as of March 28, 2023, 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, 2022 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2022 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 2022 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2022 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 2022 consolidated financial statements or to the 2022 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the 2022 consolidated financial statements as a whole.

*KPMG LLP*

March 28, 2023

**THE NEW SCHOOL**  
Schedule of Findings and Questioned Costs  
June 30, 2022

**(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: **None reported**
- (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): **No**
- (g) Major programs:
  - **Student Financial Assistance Cluster (various ALN)**
  - **Research and Development Cluster (various ALN)**
  - **Higher Education Emergency Relief Fund – ALN 84.425E**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000**
- (i) Auditee qualified as a low-risk auditee: **Yes**

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

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None