



## **THE NEW SCHOOL**

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

June 30, 2023

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

# THE NEW SCHOOL

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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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our 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 audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of financial responsibility data, as of and for the year ended June 30, 2023, is presented for purposes of additional analysis, as required by the U.S. Department of Education, and is not a required part of the 2023 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 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 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 2023 consolidated financial statements or to the 2023 consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of financial responsibility data is fairly stated in all material respects in relation to the 2023 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 26, 2023, except as to note 16, which is as of February 21, 2024 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*

New York, New York  
October 26, 2023, except as to note 16  
and our report on the supplementary  
schedule of financial responsibility data,  
which are as of February 21, 2024

**THE NEW SCHOOL**

Consolidated Balance Sheets

June 30, 2023 and 2022

(Dollars in thousands)

| <b>Assets</b>                                                  | <b>2023</b>         | <b>2022</b>      |
|----------------------------------------------------------------|---------------------|------------------|
| Cash and cash equivalents                                      | \$ 2,178            | 7,480            |
| Student accounts receivable, net (note 3)                      | 11,217              | 13,224           |
| Contributions receivable, net (note 5)                         | 20,947              | 27,797           |
| Investments (note 4)                                           | 464,865             | 444,308          |
| Deferred charges and other assets                              | 28,622              | 19,826           |
| Funds held by bond trustees (note 8)                           | 56,050              | 51,066           |
| Student loans receivable, net (note 3)                         | 1,460               | 1,793            |
| Operating right-of-use assets (notes 11 and 13)                | 318,956             | 338,854          |
| Land, buildings, and equipment, net (notes 6 and 7)            | 802,258             | 808,019          |
| Total assets                                                   | <b>\$ 1,706,553</b> | <b>1,712,367</b> |
| <b>Liabilities and Net Assets</b>                              |                     |                  |
| Liabilities:                                                   |                     |                  |
| Accounts payable and accrued liabilities (notes 7, 11, and 12) | \$ 54,213           | 71,028           |
| Deferred revenue and other liabilities (note 3)                | 10,924              | 11,406           |
| Federal Perkins student loan advances                          | 708                 | 871              |
| Short-term debt (note 7)                                       | 10,003              | —                |
| Operating lease liabilities (notes 11 and 13)                  | 353,097             | 370,692          |
| Long-term debt, net (note 7)                                   | 687,418             | 698,342          |
| Total liabilities                                              | 1,116,363           | 1,152,339        |
| Commitments and contingencies (notes 4, 7, 11, and 12)         |                     |                  |
| Net assets (note 9):                                           |                     |                  |
| Without donor restrictions                                     | 341,341             | 314,924          |
| With donor restrictions                                        | 248,849             | 245,104          |
| Total net assets                                               | 590,190             | 560,028          |
| Total liabilities and net assets                               | <b>\$ 1,706,553</b> | <b>1,712,367</b> |

See accompanying notes to consolidated financial statements.

**THE NEW SCHOOL**

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(Dollars in thousands)

|                                                                                                                                                      | <b>2023</b> | <b>2022</b> |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Change in net assets without donor restrictions:                                                                                                     |             |             |
| Operating revenues:                                                                                                                                  |             |             |
| Student tuition and fees (net of scholarship allowance of \$155,521 and \$154,366 for the years ended June 30, 2023 and 2022, respectively) (note 3) | \$ 346,876  | 344,328     |
| Contributions                                                                                                                                        | 2,258       | 2,409       |
| Grants and contracts                                                                                                                                 | 7,064       | 4,115       |
| Investment return appropriated for operations (notes 4 and 9)                                                                                        | 11,248      | 11,849      |
| Auxiliary activities (note 3)                                                                                                                        | 43,078      | 48,305      |
| Other income                                                                                                                                         | 17,789      | 14,084      |
| Net assets released from restrictions (note 9)                                                                                                       | 45,275      | 46,458      |
| Total operating revenues                                                                                                                             | 473,588     | 471,548     |
| Operating expenses (note 10):                                                                                                                        |             |             |
| Instruction and departmental research                                                                                                                | 171,109     | 172,674     |
| Sponsored research and public services                                                                                                               | 28,138      | 20,714      |
| Academic support                                                                                                                                     | 83,417      | 77,035      |
| Student services                                                                                                                                     | 37,146      | 53,001      |
| Auxiliary activities                                                                                                                                 | 52,884      | 55,256      |
| Institutional support                                                                                                                                | 88,388      | 81,552      |
| Total operating expenses                                                                                                                             | 461,082     | 460,232     |
| Change in net assets from operating activities before gain on sale of building                                                                       | 12,506      | 11,316      |
| Gain on sale of building (note 6)                                                                                                                    | —           | 4,990       |
| Change in net assets from operating activities                                                                                                       | \$ 12,506   | 16,306      |

**THE NEW SCHOOL**

Consolidated Statements of Activities

Years ended June 30, 2023 and 2022

(Dollars in thousands)

|                                                                           | <b>2023</b>       | <b>2022</b>     |
|---------------------------------------------------------------------------|-------------------|-----------------|
| Change in net assets from operating activities, brought forward           | \$ 12,506         | 16,306          |
| Nonoperating activities:                                                  |                   |                 |
| Endowment return (loss) (notes 4 and 9)                                   | 25,009            | (27,494)        |
| Endowment return appropriated for operations (notes 4 and 9)              | (11,248)          | (11,849)        |
| Other, net                                                                | 150               | 871             |
| Gain on debt defeasement                                                  | —                 | 1,086           |
|                                                                           | <u>26,417</u>     | <u>(21,080)</u> |
| Change in net assets without donor restrictions                           |                   |                 |
| Change in net assets with donor restrictions:                             |                   |                 |
| Contributions                                                             | 21,060            | 31,118          |
| Grants and contracts                                                      | 11,305            | 21,700          |
| Endowment return (loss) (notes 4 and 9)                                   | 17,819            | (19,136)        |
| Other, net                                                                | (1,164)           | (1,866)         |
| Net assets released from restriction (note 9)                             | (45,275)          | (46,458)        |
|                                                                           | <u>3,745</u>      | <u>(14,642)</u> |
| Change in net assets with donor restrictions                              |                   |                 |
| Change in net assets                                                      | <u>30,162</u>     | <u>(35,722)</u> |
| Net assets at beginning of year                                           | <u>560,028</u>    | <u>595,750</u>  |
| Net assets at end of year                                                 | <u>\$ 590,190</u> | <u>560,028</u>  |
| Certain amounts disaggregated above are presented below in the aggregate: |                   |                 |
| Contributions                                                             | \$ 23,318         | 33,527          |
| Endowment return (loss)                                                   | 42,828            | (46,630)        |
| Endowment return appropriated for operations                              | 19,082            | 19,855          |

See accompanying notes to consolidated financial statements.



**THE NEW SCHOOL**  
Consolidated Statements of Cash Flows  
Years ended June 30, 2023 and 2022  
(Dollars in thousands)

|                                                                                                                                                                           | <b>2023</b> | <b>2022</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| Cash flows from operating activities:                                                                                                                                     |             |             |
| Change in net assets                                                                                                                                                      | \$ 30,162   | (35,722)    |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:                                                                     |             |             |
| Depreciation                                                                                                                                                              | 28,796      | 27,601      |
| Provision for uncollectible student receivables                                                                                                                           | 5,817       | 5,457       |
| Amortization of net bond premium and deferred charges                                                                                                                     | (2,015)     | (2,184)     |
| Gain on debt defeasement                                                                                                                                                  | —           | (1,086)     |
| Net realized and unrealized (gain) loss on investments                                                                                                                    | (44,417)    | 33,695      |
| Amortization of operating right-of-use assets, net of interest expense                                                                                                    | 26,758      | 41,414      |
| Deferred rent adjustment                                                                                                                                                  | 3,882       | 304         |
| Gain on sale of building                                                                                                                                                  | —           | (4,990)     |
| Contributions and grants restricted for:                                                                                                                                  |             |             |
| Investment in endowment                                                                                                                                                   | (4,235)     | (6,003)     |
| Changes in operating assets and liabilities:                                                                                                                              |             |             |
| Student accounts receivable                                                                                                                                               | (3,810)     | (1,322)     |
| Contributions receivable                                                                                                                                                  | 3,515       | 2,004       |
| Deferred charges and other assets                                                                                                                                         | (8,796)     | (561)       |
| Operating right-of-use assets and operating lease liabilities, net                                                                                                        | (28,337)    | (36,841)    |
| Accounts payable and accrued liabilities                                                                                                                                  | (16,815)    | 3,151       |
| Deferred revenue and other liabilities                                                                                                                                    | (482)       | (10,142)    |
| Net cash (used in) provided by operating activities                                                                                                                       | (9,977)     | 14,775      |
| Cash flows from investing activities:                                                                                                                                     |             |             |
| Purchase of investments                                                                                                                                                   | (63,483)    | (154,436)   |
| Proceeds from sales of investments                                                                                                                                        | 82,431      | 170,961     |
| Purchase of fixed assets                                                                                                                                                  | (23,035)    | (13,313)    |
| Purchase of building                                                                                                                                                      | —           | (124,920)   |
| Proceeds from sale of building                                                                                                                                            | —           | 22,850      |
| Change in accounts payable for fixed assets                                                                                                                               | —           | 11          |
| Student loans collected, net                                                                                                                                              | 333         | 205         |
| Net cash used in investing activities                                                                                                                                     | (3,754)     | (98,642)    |
| 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)     |
| Proceeds from short-term debt                                                                                                                                             | 33,003      | —           |
| Payments on short-term debt                                                                                                                                               | (23,000)    | (14,421)    |
| Payments on long-term debt                                                                                                                                                | (8,909)     | (12,685)    |
| Change in funds held by bond trustees                                                                                                                                     | (6,209)     | (8,548)     |
| Change in contributions receivable restricted for endowment                                                                                                               | 3,335       | 324         |
| Contributions restricted for endowment                                                                                                                                    | 4,235       | 6,003       |
| Change in Federal Perkins student loan advances                                                                                                                           | (163)       | (97)        |
| Net cash provided by financing activities                                                                                                                                 | 2,292       | 111,591     |
| Net change in cash, cash equivalents, and restricted cash                                                                                                                 | (11,439)    | 27,724      |
| Cash, cash equivalents, and restricted cash – beginning of year                                                                                                           | 52,342      | 24,618      |
| Cash, cash equivalents, and restricted cash – end of year                                                                                                                 | \$ 40,903   | 52,342      |
| 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                                                                                                                                                 | \$ 2,178    | 7,480       |
| Restricted cash and cash pending investment included in investments                                                                                                       | 11,810      | 16,722      |
| Restricted cash included in bonds held by trustees                                                                                                                        | 26,915      | 28,140      |
| Total cash, cash equivalents, and restricted cash shown above                                                                                                             | \$ 40,903   | 52,342      |
| Supplemental information:                                                                                                                                                 |             |             |
| Interest paid                                                                                                                                                             | \$ 24,344   | 24,289      |

See accompanying notes to consolidated financial statements.

## THE NEW SCHOOL

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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, 2023 and 2022

(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<br/>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.

#### **(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

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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, 2023 and 2022, the university received conditional promises to give of approximately \$31,600 and \$32,400, 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, 2023 and 2022, assets associated with split interest gifts approximate \$414.

#### **(g) Fair Value of Financial Instruments**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It prioritizes the inputs to the valuation techniques used to measure fair value by giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

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

*Level 1* – Valuation inputs include published net asset value (NAV) or quoted prices (unadjusted) in active markets for identical assets or liabilities that the university has the ability to access at measurement date.

*Level 2* – Valuation inputs other than published NAV or quoted prices (unadjusted) 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.

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### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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 \$4,678 and \$4,328 for fiscal years 2023 and 2022, 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 and funds held by bond trustees, 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, 2023 and 2022.

#### **(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 (loss) net of amounts distributed to support operations in accordance with the endowment spending policy (note 9), 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.

#### **(l) Leases**

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*, the university determines if an arrangement is a lease at inception and classifies leases as either operating or financing depending on the terms and conditions set forth in the contract. The university uses a risk-free rate to determine the present value of lease payments.

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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.

**(m) Reclassification**

Certain reclassifications of prior year amounts have been made to conform to the current year presentation.

**(3) Student Services**

**(a) Tuition and Auxiliary Activities**

Tuition and fees and room and board revenues are recognized in the fiscal year in which the academic programs and residential services are delivered. Institutional scholarships awarded to students reduce the amount of tuition and fees revenue recognized. Room and board revenues are reported in auxiliary activities in the accompanying consolidated statements of activities. Payments for tuition and fees and residential services are 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 number of degree-seeking domestic and international students were as follows (unaudited):

|                 | <b>2023</b> | <b>2022</b> |
|-----------------|-------------|-------------|
| Undergraduates  | 7,462       | 7,632       |
| Graduates       | 3,004       | 3,183       |
|                 | 10,466      | 10,815      |
| New York        | 17 %        | 19 %        |
| Other domestic  | 45          | 46          |
| Other countries | 38          | 35          |
|                 | 100 %       | 100 %       |

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**(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>2023</b> | <b>2022</b> |
|--------------------|-------------|-------------|
| University support | \$ 148,927  | 147,897     |
| Sponsored support  | 6,594       | 6,469       |
|                    | \$ 155,521  | 154,366     |

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

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

Student accounts and loans receivables consisted of the following at June 30, 2023 and 2022:

|                                           | <b>2023</b> | <b>2022</b> |
|-------------------------------------------|-------------|-------------|
| Student accounts receivable:              |             |             |
| Student accounts receivable               | \$ 28,734   | 37,461      |
| Less allowance for uncollectible accounts | (17,517)    | (24,237)    |
|                                           | \$ 11,217   | 13,224      |
| Student loans receivable:                 |             |             |
| Student loans (Perkins loans)             | \$ 1,574    | 3,889       |
| Less allowance for uncollectible loans    | (114)       | (2,096)     |
|                                           | \$ 1,460    | 1,793       |

**(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.

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

|                                   | <b>2023</b> | <b>2022</b> |
|-----------------------------------|-------------|-------------|
| Deferred student tuition and fees | \$ 7,733    | 7,299       |
| Other liabilities                 | 3,191       | 4,107       |
|                                   | \$ 10,924   | 11,406      |

**(4) Investments**

Investments at fair value consisted of the following at June 30, 2023 and 2022:

|                                  | <b>2023</b> | <b>2022</b> |
|----------------------------------|-------------|-------------|
| Endowment investments:           |             |             |
| Cash and cash equivalents        | \$ 15,604   | 16,611      |
| Cash pending investment          | 4,006       | —           |
| Public equity                    | 76,040      | 73,255      |
| Fixed income                     | 49,807      | 43,887      |
| Hedge funds                      | 144,908     | 153,404     |
| Private equity                   | 94,646      | 83,737      |
| Real assets                      | 63,500      | 49,596      |
|                                  | 448,511     | 420,490     |
| Operating and other investments: |             |             |
| Cash and cash equivalents        | 15,952      | 23,183      |
| Public equity                    | 305         | 538         |
| Fixed income                     | 97          | 97          |
|                                  | 16,354      | 23,818      |
|                                  | \$ 464,865  | 444,308     |

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



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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 \$2,613 as of June 30, 2023.

*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. Remaining commitments to funds in this category total \$2,296 as of June 30, 2023.

*Private Equity* – Private equity funds employ buyout and venture capital strategies and may focus on investments in turnaround 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 \$48,853 as of June 30, 2023.

*Public Equity* – Public equities funds include domestic, global, and emerging market strategies. The redemption periods range from monthly to semiannual. There are no remaining commitments to funds in this category total as of June 30, 2023.

*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 \$16,947 as of June 30, 2023.

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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>2023</b>                           |                                    |               |
|-------------------------------------------------------------------|---------------------------------------|------------------------------------|---------------|
|                                                                   | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b>  |
| Investment return has been allocated as follows:                  |                                       |                                    |               |
| Operating, pursuant to the university's endowment spending policy | \$ 11,248                             | 7,834                              | 19,082        |
| Operating, other income                                           | 3,804                                 | 30                                 | 3,834         |
| Nonoperating investment activity                                  | 13,761                                | 9,985                              | 23,746        |
| Total investment return, net                                      | <u>\$ 28,813</u>                      | <u>17,849</u>                      | <u>46,662</u> |

|                                                                   | <b>2022</b>                           |                                    |                 |
|-------------------------------------------------------------------|---------------------------------------|------------------------------------|-----------------|
|                                                                   | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>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                                      | <u>\$ (27,412)</u>                    | <u>(19,134)</u>                    | <u>(46,546)</u> |

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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>2023</b>              |                |                                    |
|-----------------------------------------------|--------------------------|----------------|------------------------------------|
|                                               | <u>June 30,<br/>2023</u> | <u>Level 1</u> | <u>Redemption/<br/>liquidation</u> |
| Cash and cash equivalents                     | \$ 31,556                | 31,556         | Daily                              |
| Cash pending investment                       | 4,006                    | 4,006          | Daily                              |
| Equity securities:                            |                          |                |                                    |
| Domestic                                      | 500                      | 500            | Daily                              |
| Fixed income:                                 |                          |                |                                    |
| U.S. government – backed                      | 35,210                   | 35,210         | Daily                              |
| Real assets:                                  |                          |                |                                    |
| Commodities                                   | <u>22,171</u>            | <u>22,171</u>  | Daily                              |
|                                               | <u>93,443</u>            | <u>93,443</u>  |                                    |
| Investments measured at net asset value:      |                          |                |                                    |
| Fixed income                                  | 14,694                   |                | Annual to no redemptions           |
| Hedge funds                                   | 144,908                  |                | Monthly to no redemptions          |
| Private equity                                | 94,646                   |                | No redemptions                     |
| Public equity                                 | 75,845                   |                | Monthly to semiannual              |
| Real assets                                   | <u>41,329</u>            |                | No redemptions                     |
| Total investments measured at net asset value | <u>371,422</u>           |                |                                    |
| Total                                         | <u>\$ 464,865</u>        |                |                                    |

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|                                                  | <b>2022</b>              |                |                                    |
|--------------------------------------------------|--------------------------|----------------|------------------------------------|
|                                                  | <u>June 30,<br/>2022</u> | <u>Level 1</u> | <u>Redemption/<br/>liquidation</u> |
| 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                                      | <u>20,957</u>            | <u>20,957</u>  | Daily                              |
|                                                  | <u>91,275</u>            | <u>91,275</u>  |                                    |
| Investments measured at net asset value:         |                          |                |                                    |
| Fixed income                                     | 14,171                   |                | Annual to no<br>redemptions        |
| Hedge funds                                      | 153,404                  |                | Monthly to no<br>redemptions       |
| Private equity                                   | 83,737                   |                | No redemptions                     |
| Public equity                                    | 73,082                   |                | Monthly to<br>semiannual           |
| Real assets                                      | <u>28,639</u>            |                | No redemptions                     |
| Total investments measured<br>at net asset value | <u>353,033</u>           |                |                                    |
| Total                                            | <u>\$ 444,308</u>        |                |                                    |

Investments at June 30, 2023 and 2022 are summarized in the following tables by their investment liquidity profile:

|            | <b>2023</b>       |                  |                | <b>2022</b>      |                  |                |
|------------|-------------------|------------------|----------------|------------------|------------------|----------------|
|            | <u>Endowment</u>  | <u>Operating</u> | <u>Total</u>   | <u>Endowment</u> | <u>Operating</u> | <u>Total</u>   |
| Daily      | \$ 77,089         | 16,354           | 93,443         | 67,457           | 23,818           | 91,275         |
| Monthly    | 84,394            | —                | 84,394         | 76,508           | —                | 76,508         |
| Quarterly  | 53,835            | —                | 53,835         | 77,369           | —                | 77,369         |
| Semiannual | 28,160            | —                | 28,160         | 21,831           | —                | 21,831         |
| Annual     | 27,450            | —                | 27,450         | 31,452           | —                | 31,452         |
| Illiquid   | <u>177,583</u>    | <u>—</u>         | <u>177,583</u> | <u>145,873</u>   | <u>—</u>         | <u>145,873</u> |
| Total      | <u>\$ 448,511</u> | <u>16,354</u>    | <u>464,865</u> | <u>420,490</u>   | <u>23,818</u>    | <u>444,308</u> |

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**(5) Contributions Receivable**

Contributions receivable are expected to be collected as follows at June 30, 2023 and 2022:

|                                                                  | <b>2023</b> | <b>2022</b> |
|------------------------------------------------------------------|-------------|-------------|
| Amounts expected to be collected:                                |             |             |
| In one year or less                                              | \$ 13,369   | 16,768      |
| In one year to five years                                        | 7,149       | 9,032       |
| In more than five years                                          | 5,173       | 6,075       |
|                                                                  | 25,691      | 31,875      |
| Less:                                                            |             |             |
| Allowance for uncollectible amounts                              | (3,922)     | (3,146)     |
| Discount to present value (at rates ranging from 0.07% to 3.01%) | (822)       | (932)       |
|                                                                  | \$ 20,947   | 27,797      |

The amounts receivable from 10 donors represent approximately 55% and 76% of the gross receivables as of June 30, 2023 and 2022, respectively. The top 5 donors represent 13% and 41% of total contributions revenue for the years ended June 30, 2023 and 2022, respectively.

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

Land, buildings, and equipment consisted of the following at June 30, 2023 and 2022:

|                                            | <b>2023</b> | <b>2022</b> |
|--------------------------------------------|-------------|-------------|
| Land and air rights                        | \$ 98,207   | 98,207      |
| Buildings and building improvements        | 883,159     | 872,893     |
| Leasehold improvements                     | 87,893      | 83,877      |
| Furniture and equipment                    | 36,522      | 38,979      |
| Construction in progress (note 14)         | 6,322       | 3,398       |
|                                            | 1,112,103   | 1,097,354   |
| Less accumulated depreciation              | (309,845)   | (289,335)   |
| Total land, buildings, and equipment – net | \$ 802,258  | 808,019     |

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 7) incurred from the original purchase.

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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 7).

#### (7) Debt

Long-term debt consisted of the following at June 30, 2023 and 2022:

| Description                                                 | Date            | Interest rate | 2023       | 2022    |
|-------------------------------------------------------------|-----------------|---------------|------------|---------|
| Dormitory Authority of the State of New York Revenue Bonds: |                 |               |            |         |
| Series 2022A                                                | July 1, 2052    | 4.00%–5.00%   | \$ 143,200 | 143,200 |
| Series 2022B                                                | July 1, 2052    | 2.55%–3.25%   | 10,090     | 10,090  |
| Series 2016A                                                | July 1, 2050    | 3.00%–5.00%   | 307,630    | 310,995 |
| Series 2016B                                                | July 1, 2038    | 3.00%–5.00%   | 69,370     | 72,555  |
| Series 2015                                                 | July 1, 2050    | 3.00%–5.00%   | 104,300    | 106,155 |
| Promissory note                                             | January 1, 2023 | 1.00 %        | —          | 504     |
|                                                             |                 |               | 634,590    | 643,499 |
| Less:                                                       |                 |               |            |         |
| Unamortized bond issuance costs                             |                 |               | (3,448)    | (3,470) |
| Unamortized discount                                        |                 |               | (183)      | (190)   |
| Add unamortized premium                                     |                 |               | 56,459     | 58,503  |
|                                                             |                 |               | \$ 687,418 | 698,342 |

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 \$18,073 (\$17,471 unamortized at June 30, 2023). 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 2023B 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 (\$27,405 unamortized at June 30, 2023). The Series 2016A serial bonds are due in varying annual installments commencing in fiscal years 2023 through 2038. The term bonds are

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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 (\$11,400 unamortized at June 30, 2023). 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, 2023, 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. On June 30, 2023 there was no outstanding balance and \$504 was outstanding at June 30, 2022.

For the years ended June 30, 2023 and 2022, interest expense totaled \$25,827 and \$25,043, respectively. At June 30, 2023 and 2022, interest payable included in accounts payable and accrued liabilities was \$14,292 and \$12,809, respectively.

At June 30, 2023, aggregate principal maturities of long-term debt for each of the next fiscal years and thereafter are as follows:

| Fiscal year ending June 30: |                   |
|-----------------------------|-------------------|
| 2024                        | \$ 12,085         |
| 2025                        | 13,140            |
| 2026                        | 15,425            |
| 2027                        | 16,085            |
| 2028                        | 16,800            |
| Thereafter                  | <u>561,055</u>    |
|                             | <u>\$ 634,590</u> |

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#### *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 was \$10,003 in borrowings outstanding as of June 30, 2023, and no borrowings outstanding as of June 30, 2022. During the fiscal year ended June 30, 2023, the university borrowed \$33,003 and repaid \$23,000.

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, 2023 or 2022.

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

Debt service funds held by the bond trustees consisted of the following at June 30, 2023 and 2022:

|                           | <u>2023</u>      | <u>2022</u>   |
|---------------------------|------------------|---------------|
| Cash and cash equivalents | \$ 26,915        | 49,686        |
| U.S. Treasury Securities  | <u>29,135</u>    | <u>1,380</u>  |
|                           | <u>\$ 56,050</u> | <u>51,066</u> |

The funds held by bond trustees at June 30, 2023 and 2022 are reported at fair value and are classified as Level 1 in the fair value hierarchy.



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**(9) Net Assets**

Net assets consisted of the following at June 30, 2023 and 2022:

|                                                       | <b>2023</b> | <b>2022</b> |
|-------------------------------------------------------|-------------|-------------|
| Without donor restrictions:                           |             |             |
| Board-designated endowment                            | \$ 263,851  | 249,468     |
| Other board-designated                                | 159         | 192         |
| Net investment in plant                               | 170,889     | 160,743     |
| Undesignated                                          | (93,558)    | (95,479)    |
| Total net assets without donor restriction            | 341,341     | 314,924     |
| With donor restrictions:                              |             |             |
| Subject to expenditure when a specified event occurs: |             |             |
| Scholarships                                          | 2,370       | 3,297       |
| Education and research                                | 47,954      | 38,836      |
| Contribution receivable                               | 3,141       | 16,986      |
| Other                                                 | 4,305       | 5,362       |
| Building construction and equipment                   | 675         | 675         |
| Split-interest agreements                             | 414         | 414         |
|                                                       | 58,859      | 65,570      |
| Endowment returns subject to future appropriations:   |             |             |
| Scholarships                                          | 24,920      | 20,366      |
| Education and research                                | 35,788      | 31,384      |
| General activities                                    | 3,337       | 2,773       |
|                                                       | 64,045      | 54,523      |
| Total net assets restricted by time or purpose        | 122,904     | 120,093     |
| Amounts with perpetual restrictions:                  |             |             |
| Scholarships                                          | 34,308      | 33,099      |
| Education and research                                | 80,019      | 76,993      |
| General activities                                    | 7,670       | 7,670       |
| Contribution receivable                               | 3,948       | 7,249       |
| Total net assets with perpetual restrictions          | 125,945     | 125,011     |
| Total net assets with donor restrictions              | 248,849     | 245,104     |
| Total net assets                                      | \$ 590,190  | 560,028     |

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#### *Endowment*

The university's endowment is comprised of 359 individual funds at June 30, 2023, 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.

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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 were appropriated at a 5% spend rate. For fiscal year 2023, all endowment funds were 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, \$19,082 and \$19,855 of endowment return was made available in fiscal years 2023 and 2022, 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, 2023 and 2022:

|                                  |    | <b>2023</b>                           |                                    |              |
|----------------------------------|----|---------------------------------------|------------------------------------|--------------|
|                                  |    | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b> |
| Donor-restricted endowment funds | \$ | —                                     | 186,042                            | 186,042      |
| Board-designated endowment funds |    | 263,851                               | —                                  | 263,851      |
| Total endowment net assets       | \$ | 263,851                               | 186,042                            | 449,893      |

|                                  |    | <b>2022</b>                           |                                    |              |
|----------------------------------|----|---------------------------------------|------------------------------------|--------------|
|                                  |    | <b>Without donor<br/>restrictions</b> | <b>With donor<br/>restrictions</b> | <b>Total</b> |
| Donor-restricted endowment funds | \$ | —                                     | 172,285                            | 172,285      |
| Board-designated endowment funds |    | 249,468                               | —                                  | 249,468      |
| Total endowment net assets       | \$ | 249,468                               | 172,285                            | 421,753      |

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

|                                           | <b>Without donor<br/>restriction</b> | <b>With donor<br/>restrictions</b> | <b>Total</b> |
|-------------------------------------------|--------------------------------------|------------------------------------|--------------|
| Endowment net assets, as of June 30, 2022 | \$ 249,468                           | 172,285                            | 421,753      |
| Net investment return                     | 25,009                               | 17,819                             | 42,828       |
| Contributions, net                        | —                                    | 4,235                              | 4,235        |
| Appropriation for spending                | (11,248)                             | (7,834)                            | (19,082)     |
| Transfer to board-designated funds        | 622                                  | (463)                              | 159          |
| Endowment net assets, as of June 30, 2023 | \$ 263,851                           | 186,042                            | 449,893      |

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

|                                           | <b>Without donor<br/>restriction</b> | <b>With donor<br/>restrictions</b> | <b>Total</b> |
|-------------------------------------------|--------------------------------------|------------------------------------|--------------|
| Endowment net assets, as of June 30, 2021 | \$ 288,301                           | 193,424                            | 481,725      |
| 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 to board-designated funds        | 510                                  | —                                  | 510          |
| Endowment net assets, as of June 30, 2022 | \$ 249,468                           | 172,285                            | 421,753      |

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 \$1,023 and \$1,640 at June 30, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions, which, in accordance with the donors' intent, are maintained permanently, or other endowment funds where the cumulative appropriation has exceeded the accumulated appreciation; the university suspends spending endowed funds if spending appropriations, as determined under the spending policy, exceed the accumulated appreciation.

At June 30, 2023 and 2022, the amount by which funds was underwater was calculated as follows:

|                                | <b>2023</b> | <b>2022</b> |
|--------------------------------|-------------|-------------|
| Aggregate original gift amount | \$ 12,363   | 17,486      |
| Aggregate fair value           | (11,340)    | (15,846)    |
| Aggregate deficiency           | \$ 1,023    | 1,640       |

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

*Net Assets Released from Restrictions*

Net assets were released from donor restrictions due to the passage of time or by incurring costs satisfying the restricted purposes specified by the donors for fiscal years 2023 and 2022 as follows:

|                                             | <u>2023</u>      | <u>2022</u>   |
|---------------------------------------------|------------------|---------------|
| Scholarships and departmental activities    | \$ 44,950        | 45,875        |
| Payments received on pledges                | 325              | 583           |
| Total net assets released from restrictions | <u>\$ 45,275</u> | <u>46,458</u> |

**(10) Expenses**

Expenses by functional classification for fiscal years 2023 and 2022 are as follows:

| <u>Functional expenses</u>             | <u>2023</u>                  |                        |                                  |                              |                                  | <u>Total</u>   |
|----------------------------------------|------------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|----------------|
|                                        | <u>Salaries and benefits</u> | <u>Occupancy costs</u> | <u>General business expenses</u> | <u>Professional services</u> | <u>Interest and depreciation</u> |                |
| Instruction and departmental research  | \$ 139,313                   | 11,974                 | 3,595                            | 2,223                        | 14,004                           | 171,109        |
| Sponsored research and public services | 14,474                       | 1,199                  | 6,306                            | 5,584                        | 576                              | 28,138         |
| Academic support                       | 47,154                       | 8,562                  | 8,661                            | 10,796                       | 8,243                            | 83,417         |
| Student services                       | 24,678                       | 1,380                  | 4,018                            | 5,959                        | 1,111                            | 37,146         |
| Auxiliary activities                   | 3,849                        | 24,704                 | 4,633                            | 534                          | 19,164                           | 52,884         |
| Institutional support                  | 42,401                       | 6,328                  | 21,210                           | 6,924                        | 11,525                           | 88,388         |
| Total                                  | <u>\$ 271,869</u>            | <u>54,147</u>          | <u>48,422</u>                    | <u>32,021</u>                | <u>54,623</u>                    | <u>461,082</u> |

  

| <u>Functional expenses</u>             | <u>2022</u>                  |                        |                                  |                              |                                  | <u>Total</u>   |
|----------------------------------------|------------------------------|------------------------|----------------------------------|------------------------------|----------------------------------|----------------|
|                                        | <u>Salaries and benefits</u> | <u>Occupancy costs</u> | <u>General business expenses</u> | <u>Professional services</u> | <u>Interest and depreciation</u> |                |
| Instruction and departmental research  | \$ 139,193                   | 14,872                 | 2,079                            | 1,507                        | 15,023                           | 172,674        |
| Sponsored research and public services | 11,456                       | 1,104                  | 3,758                            | 4,026                        | 371                              | 20,714         |
| Academic support                       | 41,572                       | 9,486                  | 7,947                            | 9,771                        | 8,258                            | 77,035         |
| Student services                       | 23,996                       | 2,415                  | 20,804                           | 4,627                        | 1,159                            | 53,001         |
| Auxiliary activities                   | 3,811                        | 30,814                 | 3,346                            | 577                          | 16,708                           | 55,256         |
| Institutional support                  | 41,392                       | 6,059                  | 17,106                           | 5,870                        | 11,125                           | 81,552         |
| Total                                  | <u>\$ 261,420</u>            | <u>64,750</u>          | <u>55,039</u>                    | <u>26,379</u>                | <u>52,644</u>                    | <u>460,232</u> |

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

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

| <u>Functional expenses</u>             | <u>2023</u>     |                                                       |                     | <u>2022</u>     |                                                       |                     |
|----------------------------------------|-----------------|-------------------------------------------------------|---------------------|-----------------|-------------------------------------------------------|---------------------|
|                                        | <u>Interest</u> | <u>Operation<br/>and<br/>maintenance<br/>of plant</u> | <u>Depreciation</u> | <u>Interest</u> | <u>Operation<br/>and<br/>maintenance<br/>of plant</u> | <u>Depreciation</u> |
| Instruction and departmental research  | \$ 4,664        | 19,756                                                | 9,340               | 5,006           | 22,118                                                | 10,017              |
| Sponsored research and public services | 96              | 1,945                                                 | 480                 | 112             | 1,525                                                 | 259                 |
| Academic support                       | 2,938           | 13,226                                                | 5,305               | 3,163           | 13,515                                                | 5,095               |
| Student services                       | 385             | 2,030                                                 | 726                 | 322             | 2,372                                                 | 837                 |
| Auxiliary activities                   | 11,477          | 7,238                                                 | 7,687               | 10,030          | 7,275                                                 | 6,678               |
| Institutional support                  | 6,267           | 8,992                                                 | 5,258               | 6,410           | 8,200                                                 | 4,715               |
| Total                                  | \$ 25,827       | 53,187                                                | 28,796              | 25,043          | 55,005                                                | 27,601              |

### *Fundraising*

Fundraising expenses of \$5,151 and \$4,589 for the years ended June 30, 2023 and 2022, respectively, are included in institutional support in the accompanying consolidated statements of activities. For the purpose of disclosing fundraising expenses, the university includes only those fundraising costs incurred by its development office.

## **(11) Leases and Other Commitments and Contingencies**

### *Leases*

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

The university has no material finance leases on June 30, 2023 or 2022.

**THE NEW SCHOOL**

Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The table below presents a maturity analysis of operating lease liabilities and a reconciliation of the total amount of such liabilities recognized in the consolidated balance sheets at June 30, 2023.

|                                     | <b>Operating<br/>leases</b> |
|-------------------------------------|-----------------------------|
| Year ending June 30:                |                             |
| 2024                                | \$ 27,648                   |
| 2025                                | 27,784                      |
| 2026                                | 28,989                      |
| 2027                                | 29,016                      |
| 2028                                | 28,563                      |
| 2029 and thereafter                 | 667,480                     |
|                                     | 809,480                     |
| Less discount for net present value | (456,383)                   |
|                                     | \$ 353,097                  |

Lease costs and other related information for the year ended June 30, 2023 were as follows:

|                                                                         | <b>2023</b> | <b>2022</b> |
|-------------------------------------------------------------------------|-------------|-------------|
| Operating lease cost                                                    | \$ 31,226   | 41,718      |
| Other information:                                                      |             |             |
| Cash paid for amounts included in the measurement of lease liabilities: |             |             |
| Operating cash flows from operating leases                              | \$ 28,337   | 36,841      |
| Weighted-average remaining lease term                                   | 33          | 32          |
| Weighted-average discount rate                                          | 4.55 %      | 4.55 %      |

*Other Commitments and Contingencies*

At June 30, 2023, construction commitments were approximately \$6,903.

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, 2023 and 2022

(Dollars in thousands)

### (12) Retirement and Postretirement Health Benefit Plans

#### (a) Retirement Plans

The university has a defined-contribution retirement plan that covers substantially all employees, except certain union employees, and which is funded through direct payments to Teachers Insurance and Annuity Association of America (TIAA) for the purchase of various types of investment contracts. For each eligible employee, the university's contribution is determined as a percentage of salary, taking into account age and length of accrued service. Retirement contributions paid by the university under this plan and charged to expense for fiscal years 2023 and 2022 were \$16,846, and \$14,789, respectively.

#### (b) Multi Employer Plans

At June 30, 2023, 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.



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### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(Dollars in thousands)

The percentage of the university's contributions to Local 840 Pension Fund as of December 31, 2022 and 2021 represents 99% and 90% of the total contributions to the plan, respectively. The university's contributions to Building Service 32BJ Benefit Funds, Local 802 (AFMEPF), and Local 94 (Central Pension Fund) were insignificant to the plan.

| Pension fund                       | EIN/Pension plan number | Pension Protection Act zone status |                           | FIP/RP Status Pending/implemented | Contributions of The New School |              | Surcharge paid | Expiration date of collective bargaining agreement |
|------------------------------------|-------------------------|------------------------------------|---------------------------|-----------------------------------|---------------------------------|--------------|----------------|----------------------------------------------------|
|                                    |                         |                                    |                           |                                   | June 30 2023                    | June 30 2022 |                |                                                    |
| Building service 32BJ Benefit Fund | 13-1879376/001          | June 30, 2022<br>Red               | June 30, 2021<br>Green    | Yes                               | \$ 1,061                        | 948          | No             | June 30, 2026                                      |
| AFMEPF (802)                       | 51-6120204/001          | March 31, 2023<br>Red              | March 31, 2022<br>Red     | Yes                               | 170                             | 154          | Yes            | June 30, 2028                                      |
| Local 840 Pension Fund (1205)      | 13-6304568/001          | December 31, 2022<br>Red           | December 31, 2021<br>Red  | Yes                               | 1,651                           | 1,178        | No             | June 30, 2024                                      |
| Central Pension Fund (Local 94)    | 36-6052390/001          | January 31, 2022<br>Green          | January 31, 2021<br>Green | No                                | 79                              | 78           | N/A            | December 31, 2026                                  |

#### (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, 2023, and 2022, the actuarially determined benefit obligation included in accounts payable and accrued liabilities was \$3,108 and \$3,165, respectively.

#### (13) **Related Party Transactions**

Members of the university's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the university. The university's conflict of interest policy requires, among other things, that no member of the Board of Trustees or its committees participate in any decision in which they (or an immediate family member) have 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, 2023 and 2022, no such relationships existed.

During fiscal year 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.

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

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(Dollars in thousands)

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.

#### (14) Liquidity and Availability

The university's financial assets available for general expenditures within one year of the consolidated balance sheets as of June 30, 2023 and 2022 are as follows:

|                                                                                                   | <b>2023</b> | <b>2022</b> |
|---------------------------------------------------------------------------------------------------|-------------|-------------|
| Cash and cash equivalents                                                                         | \$ 2,178    | 7,480       |
| Student accounts receivable, net                                                                  | 11,217      | 13,224      |
| Contributions receivable, net                                                                     | 20,947      | 27,797      |
| Investments                                                                                       | 464,865     | 444,308     |
| Funds held by bond trustees                                                                       | 56,050      | 51,066      |
| Student loans receivable, net                                                                     | 1,460       | 1,793       |
| Total financial assets                                                                            | 556,717     | 545,668     |
| Less those unavailable for general expenditures within one year, due to:                          |             |             |
| Contributions receivable due beyond one year                                                      | 10,884      | 13,420      |
| Funds held by bond trustees                                                                       | 27,147      | 29,489      |
| Student loans receivable, net                                                                     | 1,460       | 1,793       |
| Restricted by donors for use in future periods                                                    | 14,378      | 12,156      |
| Restricted by donors in perpetuity                                                                | 121,997     | 117,762     |
| Endowment appreciation available, net of approved spending                                        | 56,853      | 46,689      |
| Split interest arrangements                                                                       | 414         | 414         |
| Total amounts available within one year                                                           | 323,584     | 323,945     |
| Other board designated funds:                                                                     |             |             |
| Board-designated as quasi endowment, unavailable without board approval, net of approved spending | 253,720     | 238,220     |
| Board-designated art fund, unavailable without board approval                                     | 159         | 192         |
| Financial assets available to meet general expenditures within one year                           | \$ 69,705   | 85,533      |

## THE NEW SCHOOL

### Notes to Consolidated Financial Statements

June 30, 2023 and 2022

(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 year ended June 30, 2023. 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 was \$10,003 in borrowings outstanding as of June 30, 2023, and no borrowings outstanding as of June 30, 2022.

#### **(15) Subsequent Events**

The university evaluated subsequent events after the consolidated balance sheet date of June 30, 2023 through October 26, 2023, 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, 2023 and 2022

(Dollars in thousands)

#### (16) 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, 2023 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 \$    | 635,768           |
| Post-implementation land, buildings, and equipment, net                                                                                                                        | Primary reserve       | 160,168           |
| Construction in progress                                                                                                                                                       | NA                    | <u>6,322</u>      |
| Total land, buildings, and equipment, net<br>(consolidated balance sheet)                                                                                                      | NA                    | <u>\$ 802,258</u> |
| Pre-implementation land, buildings, and equipment were acquired prior to July 1, 2019.<br>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 \$    | 517,492           |
| Post-implementation long-term debt, net                                                                                                                                        | NA                    | <u>169,926</u>    |
| Total long-term debt, net (consolidated balance sheet)                                                                                                                         | NA                    | <u>\$ 687,418</u> |
| Composition of total revenues and gains without donor restrictions:                                                                                                            |                       |                   |
| Total operating revenues                                                                                                                                                       | N/A                   | \$ 473,588        |
| Endowment return, net of amount appropriated for operations                                                                                                                    | N/A                   | 13,761            |
| Changes in postretirement health plan (other, net)                                                                                                                             | N/A                   | <u>150</u>        |
| Total revenues and gains without donor restrictions                                                                                                                            | Net income            | <u>\$ 487,499</u> |

**THE NEW SCHOOL**

Schedule of Financial Responsibility Data

Year ended June 30, 2023

(Amounts in thousands)

| Data element                                                                  | Source of data element in consolidated financial statements<br>or related notes to the consolidated financial statements | Amount     |
|-------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------|
| Primary reserve ratio – expendable net assets:                                |                                                                                                                          |            |
| Net assets without donor restrictions                                         | Consolidated balance sheet                                                                                               | \$ 341,341 |
| Net assets with donor restrictions                                            | Consolidated balance sheet                                                                                               | 248,849    |
| Net assets with donor restrictions – perpetual                                | Note 9                                                                                                                   | 125,945    |
| Split interest agreements with donor restrictions                             | Note 9                                                                                                                   | 414        |
| Postretirement health plan                                                    | Note 12                                                                                                                  | 3,108      |
| Pre-implementation land, buildings, and equipment – net                       | Note 16                                                                                                                  | 635,768    |
| Post-implementation land, buildings, and equipment – net                      | Note 16                                                                                                                  | 160,168    |
| Construction in progress                                                      | Note 16                                                                                                                  | 6,322      |
| Operating right-of-use assets                                                 | Consolidated balance sheet                                                                                               | 318,956    |
| Operating lease liabilities                                                   | Consolidated balance sheet                                                                                               | 353,097    |
| Pre-implementation long-term debt                                             | Note 16                                                                                                                  | 517,492    |
| Post-implementation long-term debt                                            | Note 16                                                                                                                  | 169,926    |
| Primary reserve ratio – total expenses and losses without donor restrictions: |                                                                                                                          |            |
| Total operating expenses                                                      | Consolidated statement of activities                                                                                     | 461,082    |
| Equity ratio – modified net assets:                                           |                                                                                                                          |            |
| Net assets without donor restrictions                                         | Consolidated balance sheet                                                                                               | 341,341    |
| Net assets with donor restrictions                                            | Consolidated balance sheet                                                                                               | 248,849    |
| Equity ratio – modified assets:                                               |                                                                                                                          |            |
| Total assets                                                                  | Consolidated balance sheet                                                                                               | 1,706,553  |
| Net income ratio – change in net assets without donor restrictions:           |                                                                                                                          |            |
| Change in net assets without donor restrictions                               | Consolidated statement of activities                                                                                     | 26,417     |
| Net income ratio – total revenue and gains without donor restrictions:        |                                                                                                                          |            |
| Total revenue and gains without donor restrictions                            | Note 16                                                                                                                  | 487,499    |

See accompanying independent auditors' report.

**THE NEW SCHOOL**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2023

| Federal grantor/pass-through grantor/program or cluster title                                                                                                                                                | Federal assistance listing number (ALN) | Pass-through entity identifying number | Passed through to subrecipients | Total federal expenditures |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|----------------------------------------|---------------------------------|----------------------------|
| Student Financial Assistance Cluster:                                                                                                                                                                        |                                         |                                        |                                 |                            |
| U.S. Department of Education:                                                                                                                                                                                |                                         |                                        |                                 |                            |
| Federal Pell Grant Program                                                                                                                                                                                   | 84.063                                  |                                        | \$ —                            | 6,099,284                  |
| Federal Iraq & Afghanistan Service Grant                                                                                                                                                                     | 84.408                                  |                                        | —                               | 6,502                      |
| Federal Supplemental Educational Opportunity Grants Program                                                                                                                                                  | 84.007                                  |                                        | —                               | 726,266                    |
| Federal Work-Study Program                                                                                                                                                                                   | 84.033                                  |                                        | —                               | 977,806                    |
| Federal Direct Student Loans (note 3)                                                                                                                                                                        | 84.268                                  |                                        | —                               | 57,872,610                 |
| Federal Perkins Loan Program (note 4)                                                                                                                                                                        | 84.038                                  |                                        | —                               | 3,888,847                  |
| Total Student Financial Assistance Cluster                                                                                                                                                                   |                                         |                                        | —                               | 69,571,315                 |
| Research and Development Cluster:                                                                                                                                                                            |                                         |                                        |                                 |                            |
| U.S. National Science Foundation:                                                                                                                                                                            |                                         |                                        |                                 |                            |
| Division of Social Sciences:                                                                                                                                                                                 |                                         |                                        |                                 |                            |
| Doctoral Dissertation Research:                                                                                                                                                                              |                                         |                                        |                                 |                            |
| Financial Technologies: New Financial Markets, and Socio-Economic Life                                                                                                                                       | 47.075                                  |                                        | —                               | 3,111                      |
| Forming Collective Memories: From local influences to global mnemonic convergence                                                                                                                            | 47.075                                  |                                        | —                               | 40,675                     |
| Urban Resilience to Extreme Weather Related Events (pass through Arizona State University)                                                                                                                   | 47.075                                  | 16-841                                 | —                               | 5,550                      |
| Collaborative Research: The Emergence of New Capital Markets                                                                                                                                                 | 47.075                                  |                                        | —                               | 20,247                     |
| Intergroup conflict and beliefs in supernatural entities concerned with moral behavior                                                                                                                       | 47.075                                  |                                        | —                               | 238,010                    |
| Division of International Science & Engineering:                                                                                                                                                             |                                         |                                        |                                 |                            |
| Collaborative Research: Accel-Net: Nature-Based solutions for urban Resilience in the Anthropocene (NATURA)                                                                                                  | 47.079                                  |                                        | 13,141                          | 233,340                    |
| 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                           | —                               | 44,425                     |
| U.S. Department of Human and Health Services:                                                                                                                                                                |                                         |                                        |                                 |                            |
| National Institute of Health:                                                                                                                                                                                |                                         |                                        |                                 |                            |
| RECOUNY (pass through George Washington University)                                                                                                                                                          | 93.242                                  | R01-MH127767-01                        | —                               | 421,418                    |
| Reward Devaluation, Positive Valence System Disturbance, and Impairment                                                                                                                                      | 93.242                                  |                                        | —                               | 76,534                     |
| Substance Abuse and Mental Health Services Project of Regional & National Significance                                                                                                                       | 93.243                                  |                                        | —                               | 37,558                     |
| The role structural discrimination on depression, sleep, cardiovascular disease, and cognitive decline (pass through The John Hopkins University)                                                            | 93.866                                  | DP1AG069874                            | —                               | 37,252                     |
| U.S. Department of Energy:                                                                                                                                                                                   |                                         |                                        |                                 |                            |
| NGLS Indoor Evaluations (pass through Battelle Memorial Institute, Pacific Northwest Division)                                                                                                               | 81.049                                  | 62929                                  | —                               | 36,853                     |
| Total Research and Development Cluster                                                                                                                                                                       |                                         |                                        | 13,141                          | 1,194,973                  |
| Other Programs:                                                                                                                                                                                              |                                         |                                        |                                 |                            |
| National Endowment for the Humanities:                                                                                                                                                                       |                                         |                                        |                                 |                            |
| The Complete Short Stories of American Author Charles W. Chestnutt (1858-1932)                                                                                                                               | 45.161                                  |                                        | —                               | 47,489                     |
| National Endowment for the Arts:                                                                                                                                                                             |                                         |                                        |                                 |                            |
| New School Concerts                                                                                                                                                                                          | 45.024                                  |                                        | —                               | 15,000                     |
| 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                           | —                               | 107,045                    |
| U.S. Agency for International Development:                                                                                                                                                                   |                                         |                                        |                                 |                            |
| LASER Partners for University-LED Solutions Engine PULSE (pass through Purdue University)                                                                                                                    | 98.UNK                                  | F9002550402109                         | —                               | 60,152                     |
| Federal Emergency Management Agency:                                                                                                                                                                         |                                         |                                        |                                 |                            |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) - Covid Funds 2021 (pass through State of New York, Department of Homeland Security, and Emergency Services)              | 97.036                                  | PA-02-NY-4480-PW-02394(0)              | —                               | 8,213,329                  |
| COVID-19 - Disaster Grants - Public Assistance (Presidentially Declared Disasters) - Covid Funds March - June 2020 (pass through State of New York, Department of Homeland Security, and Emergency Services) | 97.036                                  | PA-02-NY-4480-PW-01172                 | —                               | 28,650                     |
| Total Federal Emergency Management Agency                                                                                                                                                                    |                                         |                                        | —                               | 8,241,979                  |
| U.S. Department of Education:                                                                                                                                                                                |                                         |                                        |                                 |                            |
| Education Stabilization Fund:                                                                                                                                                                                |                                         |                                        |                                 |                            |
| COVID-19 Higher Education Emergency Relief Fund Student Portion                                                                                                                                              | 84.425E                                 |                                        | —                               | 168,843                    |
| Total U.S. Department of Education                                                                                                                                                                           |                                         |                                        | —                               | 168,843                    |
| Total expenditures of federal awards                                                                                                                                                                         |                                         |                                        | \$ 13,141                       | 79,406,796                 |

See accompanying notes to schedule of expenditures of federal awards.

## THE NEW SCHOOL

### Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

#### **(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, 2023. 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, 2023 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, 2023 and 2022 was \$1,466,540 and \$3,888,847, 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, 2023, 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 26, 2023, except as to note 16, which is as of February 21, 2024.

### **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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





### **Purpose of This Report**

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

KPMG LLP

New York, New York  
October 26, 2023, except as to note 16,  
which is as of February 21, 2024



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## **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, 2023. 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, 2023.

#### *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 years ended June 30, 2023 and 2022, and have issued our report thereon dated October 26, 2023, except as to note 16, which is as of February 21, 2024, 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, 2023 is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 2023 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 2023 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2023 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 2023 consolidated financial statements or to the 2023 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 2023 consolidated financial statements as a whole.

*KPMG LLP*

New York, New York  
February 21, 2024

**THE NEW SCHOOL**  
Schedule of Findings and Questioned Costs  
June 30, 2023

**(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)**
  - **Disaster Grants – Public Assistance (Presidentially Declared Disasters) (ALN 97.036)**
- (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