



BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Financial Statements

May 31, 2025 and 2024

(With Independent Auditors' Report Thereon)



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Berklee College of Music, Inc.:

Opinion

We have audited the consolidated financial statements of Berklee College of Music, Inc. (the College), which comprise the consolidated statements of financial position as of May 31, 2025 and 2024, 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 financial position of the College as of May 31, 2025 and 2024, 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). 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 College 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 College's ability to continue as a going concern for one year after the date that 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 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, 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 College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

Boston, Massachusetts
October 10, 2025

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Financial Position

May 31, 2025 and 2024

Assets	2025	2024
Cash and cash equivalents	\$ 16,815,607	30,601,031
Short-term investments (note 4)	86,446,026	88,784,809
Student accounts receivable, net (note 8)	19,172,398	17,502,270
Contributions receivable, net (note 9)	3,742,862	5,609,730
Other assets	15,413,225	21,347,540
Long-term investments (notes 4 and 5)	465,524,411	426,384,464
Property, plant, and equipment, net (note 6)	316,613,400	305,616,344
Right-of-use asset, net (note 11)	48,835,353	53,609,591
Total assets	<u>\$ 972,563,282</u>	<u>949,455,779</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 42,141,643	38,071,275
Student deposits and deferred revenue	54,497,056	55,310,047
Accrued pension liabilities (note 10)	20,703,727	28,808,426
Lease liabilities (note 11)	51,756,270	54,562,846
Bonds payable, net (note 7)	222,407,700	230,070,246
Other liabilities	—	3,569,686
Total liabilities	<u>391,506,396</u>	<u>410,392,526</u>
Net assets:		
Without donor restrictions	421,357,820	388,559,207
With donor restrictions (note 12)	159,699,066	150,504,046
Total net assets	<u>581,056,886</u>	<u>539,063,253</u>
Total liabilities and net assets	<u>\$ 972,563,282</u>	<u>949,455,779</u>

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Activities

Year ended May 31, 2025

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2025 Total</u>	<u>2024 Total</u>
Operating:				
Revenues:				
Student tuition and fees (net of aid of \$123,078,296)	\$ 271,876,020	—	271,876,020	278,296,478
Residence hall and dining fees (net of aid of \$742,484)	34,907,763	—	34,907,763	32,827,584
Net tuition and fees	306,783,783	—	306,783,783	311,124,062
Contributions	767,070	6,600,826	7,367,896	9,071,902
Grants and contracts	4,167,573	—	4,167,573	5,078,996
Investment return for operations (note 5)	14,256,497	4,402,261	18,658,758	17,711,948
Other income	11,426,686	—	11,426,686	7,899,655
Sales and service of auxiliary enterprises	4,666,843	—	4,666,843	8,972,324
Net assets released from restrictions	15,337,917	(15,337,917)	—	—
Total operating revenues	357,406,369	(4,334,830)	353,071,539	359,858,887
Expenses:				
Instruction	147,832,473	—	147,832,473	149,747,564
Academic support	27,054,365	—	27,054,365	22,716,422
Student and enrollment services	33,830,634	—	33,830,634	32,452,715
Institutional support and advancement	74,437,005	—	74,437,005	83,120,537
Auxiliary enterprises	11,225,568	—	11,225,568	11,467,514
Operation and maintenance of physical plant:				
Depreciation and amortization	19,520,500	—	19,520,500	17,791,764
Interest	7,413,316	—	7,413,316	7,595,556
Maintenance	30,999,924	—	30,999,924	26,762,713
Total operating expenses	352,313,785	—	352,313,785	351,654,785
Change in net assets from operating activities	5,092,584	(4,334,830)	757,754	8,204,102
Nonoperating:				
Investment return	40,028,805	13,341,066	53,369,871	47,449,951
Investment return for operations (note 5)	(14,256,497)	(4,402,261)	(18,658,758)	(17,711,948)
Contributions for long-term investment	—	4,596,845	4,596,845	3,421,024
Other	(3,086,394)	(5,800)	(3,092,194)	(868,827)
Other changes in pension obligation (note 10)	5,020,115	—	5,020,115	7,048,536
Change in net assets from nonoperating activities	27,706,029	13,529,850	41,235,879	39,338,736
Change in net assets	32,798,613	9,195,020	41,993,633	47,542,838
Net assets at beginning of year	388,559,207	150,504,046	539,063,253	491,520,415
Net assets at end of year	\$ 421,357,820	159,699,066	581,056,886	539,063,253

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Activities

Year ended May 31, 2024

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>2024 Total</u>	<u>2023 Total</u>
Operating:				
Revenues:				
Student tuition and fees (net of aid of \$112,376,532)	\$ 278,296,478	—	278,296,478	269,878,903
Residence hall and dining fees (net of aid of \$954,175)	<u>32,827,584</u>	—	<u>32,827,584</u>	<u>29,639,247</u>
Net tuition and fees	311,124,062	—	311,124,062	299,518,150
Contributions	598,463	8,473,439	9,071,902	7,173,868
Grants and contracts	5,078,996	—	5,078,996	5,382,243
Investment return for operations (note 5)	13,020,688	4,691,260	17,711,948	16,953,992
Other income	7,899,655	—	7,899,655	4,948,187
Sales and service of auxiliary enterprises	8,972,324	—	8,972,324	6,774,262
Net assets released from restrictions	<u>11,122,307</u>	<u>(11,122,307)</u>	<u>—</u>	<u>—</u>
Total operating revenues	<u>357,816,495</u>	<u>2,042,392</u>	<u>359,858,887</u>	<u>340,750,702</u>
Expenses:				
Instruction	149,747,564	—	149,747,564	140,404,361
Academic support	22,716,422	—	22,716,422	21,004,818
Student and enrollment services	32,452,715	—	32,452,715	27,373,481
Institutional support and advancement	83,120,537	—	83,120,537	78,495,893
Auxiliary enterprises	11,467,514	—	11,467,514	12,176,488
Operation and maintenance of physical plant:				
Depreciation and amortization	17,791,764	—	17,791,764	16,169,846
Interest	7,595,556	—	7,595,556	7,749,908
Maintenance	<u>26,762,713</u>	—	<u>26,762,713</u>	<u>22,886,152</u>
Total operating expenses	<u>351,654,785</u>	—	<u>351,654,785</u>	<u>326,260,947</u>
Change in net assets from operating activities	<u>6,161,710</u>	<u>2,042,392</u>	<u>8,204,102</u>	<u>14,489,755</u>
Nonoperating:				
Investment return	36,201,482	11,248,469	47,449,951	14,828,565
Investment return for operations (note 5)	(13,020,688)	(4,691,260)	(17,711,948)	(16,953,992)
Contributions for long-term investment	—	3,421,024	3,421,024	4,279,384
Other	(868,826)	(1)	(868,827)	5,618,952
Other changes in pension obligation (note 10)	<u>7,048,536</u>	—	<u>7,048,536</u>	<u>3,811,103</u>
Change in net assets from nonoperating activities	<u>29,360,504</u>	<u>9,978,232</u>	<u>39,338,736</u>	<u>11,584,012</u>
Change in net assets	35,522,214	12,020,624	47,542,838	26,073,767
Net assets at beginning of year	<u>353,036,993</u>	<u>138,483,422</u>	<u>491,520,415</u>	<u>465,446,648</u>
Net assets at end of year	\$ <u><u>388,559,207</u></u>	<u><u>150,504,046</u></u>	<u><u>539,063,253</u></u>	<u><u>491,520,415</u></u>

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 2025 and 2024

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 41,993,633	47,542,838
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	19,520,500	17,791,764
Finance lease – interest portion of lease payment	154,316	86,480
Realized and unrealized (gains) on investments, net	(53,369,871)	(47,449,951)
Pension obligation costs	(5,020,115)	(7,048,536)
Loss on disposal of fixed assets	1,429	—
Amortization of right-of-use assets-operating	5,690,750	4,142,552
Amortization of right-of-use assets-finance	(132,625)	—
Contributions for long-term investment	(8,638,161)	(8,518,974)
Change in operating assets	6,130,974	(17,714,744)
Change in operating liabilities	(9,804,054)	9,867,593
Net cash used in operating activities	(3,473,224)	(1,300,978)
Cash flows from investing activities:		
Purchase of property, plant, improvements, and equipment	(24,134,654)	(29,769,934)
Disbursements and repayment of student loans, net	81	88,235
Proceeds from sale and maturity of investments	97,885,167	64,976,877
Purchase of investments	(81,316,459)	(26,829,747)
Net cash (used in) / provided by investing activities	(7,565,865)	8,465,431
Cash flows from financing activities:		
Payments on bonds and notes payable	(6,615,000)	(6,365,000)
Contributions for long-term investment	8,638,161	8,518,974
Decrease in refundable advances – U.S. government grants	(3,569,686)	(236,677)
Finance lease – principal portion of lease payment	(1,199,810)	(1,199,810)
Net cash (used in) / provided by financing activities	(2,746,335)	717,487
Net change in cash and cash equivalents	(13,785,424)	7,881,940
Cash and cash equivalents, beginning of year	30,601,031	22,719,091
Cash and cash equivalents, end of year	\$ 16,815,607	30,601,031
Supplemental data:		
Interest paid	\$ 8,400,691	8,652,837
Change in accounts payable attributable to capital acquisitions	5,171,262	(1,053,340)
Cash paid for amounts included in the measurement of lease liabilities	7,090,644	6,418,999

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

(1) Background

Berklee College of Music, Inc. (the College) is a nonprofit co-educational institution of higher learning offering bachelor's and master's degrees as well as a four-year program leading to a professional diploma. Since its founding in 1945, the College has become an international center for performing arts education geared to career musicians, dancers, composers, arrangers, music educators, and other professionals. The College offers not-for-credit courses, for-credit courses and degrees online through its Berklee Online Program and master's degrees through its operations located in Valencia, Spain. The Boston Conservatory (the Conservatory), a nationally accredited performing arts conservatory offering Bachelor of Fine Arts, Bachelor of Music and Master of Music degrees operates as a division of the College known as The Boston Conservatory at Berklee.

(2) Summary of Significant Accounting Policies

(a) Basis of Statement Presentation

The accompanying consolidated financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP). The consolidated financial statements, presented on the accrual basis of accounting, focus on the College as a whole and all intercompany amounts have been eliminated. Balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, net assets are classified as follows:

With donor restrictions: Net assets are subject to donor stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Without donor restrictions: Net assets are not subject to donor stipulations restricting their use but may be designated for specific purposes by the College.

Unless limited by donor restrictions or law, revenues and expenses, gains or losses on investments, and changes in other assets or liabilities are reported on the consolidated statements of activities as increases and decreases in net assets without donor restrictions. Net assets released from restrictions, for which the donor purpose has been met, or the stipulated time period has elapsed, are reported as reclassifications between applicable net asset classes.

Contributions and unconditional promises to give are recognized as revenue as barriers are met. Promises to give that are expected to be collected after the consolidated statement of financial position date or that require the corpus to be maintained permanently are in net assets with donor restrictions reported as contribution revenue. Contributions of land, buildings, or equipment are reported as nonoperating support without donor restrictions unless the donor places restrictions on their use. Contributions of cash to be used to acquire or construct land, buildings or equipment are reported as nonoperating support with donor restrictions and are released from restrictions as the assets are placed in service.

Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift.

(b) Operations

The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues and expenses are attributable to the College's academic

BERKLEE COLLEGE OF MUSIC, INC.

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

programs and auxiliary enterprises. Tuition revenue is reported net of a discount awarded to students from various sources including college financial aid, scholarships from endowment funds, and/or state and federal grants. Nonoperating activities are attributable to return on long-term investments, contributions of capital assets, contributions to the endowment, changes in pension obligation other than service costs and activities not directly related to the College's core instructional mission or operations.

(c) Cash and Cash Equivalents

Cash equivalents represent money market funds and short-term instruments with maturities at date of purchase of three months or less. Cash equivalents held for investment purposes that are classified as short-term and long-term investments are not reflected as cash equivalents in the statement of cash flows.

(d) Short-term Investments

Short-term investments consist of operating funds deposited in cash management accounts with maturities at the time of purchase less than one year and are carried at fair value.

(e) Contributions Receivable

Unconditional promises to give are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at by considering actual expected payments and by discounting the pledge to its present value by a risk adjusted rate to account for the inherent risk associated with the expected future cash flows. Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful collections. Management estimates the allowance by a review of historical experience and a specific review of collection trends that differ from plans on individual accounts.

(f) Long-Term Investments

Investments are reported at fair value. Accordingly, the gains and losses that result from market fluctuations are recognized in the statement of activities in the period in which the fluctuations occur.

(g) Fair Value Measurements

GAAP defines fair value and establishes a framework for measuring and disclosing fair value measurements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

- Level 1 – quoted prices in active markets accessible at the measurement date for assets or liabilities
- Level 2 – observable prices based on inputs not quoted in active markets but corroborated by market data.
- Level 3 – unobservable inputs are used when little or no market data is available.

BERKLEE COLLEGE OF MUSIC, INC.

Notes to Consolidated Financial Statements

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The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The College utilizes valuation techniques that maximize the use of observable inputs and minimizes the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

The College holds shares or units in nonmarketable securities including alternative investments such as private equity, venture capital, hedge funds, and real asset strategies. Such alternative investment funds may hold securities or other financial instruments for which a readily determinable fair value exists and are priced accordingly. For investments that do not have a readily determinable fair value, the fair value of those investments is recorded based upon the net asset value (NAV) per share or its equivalent as a practical expedient. Those investments reported at NAV are not classified and reported in the fair value hierarchy.

Investments are generally redeemable or may be liquidated at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the fund agreements. Due to the nature of the investments held by these funds, changes in market conditions, the economic environment, or liquidity provisions may significantly impact the NAV of the funds and, consequently, the fair value of the College's interests in the funds. Although certain investments may be sold in secondary market transactions, subject to meeting certain requirements of the governing documents of the funds, the secondary market is not active and individual transactions are not necessarily observable. It is, therefore, reasonably possible that if the College were to sell its interest in a fund in the secondary market, the sale could occur at an amount materially different from the reported value. The College has no plans or intentions to sell investments at amounts different from the reported NAV.

(h) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation, including amortization of leasehold improvements and library books, is computed using the straight-line method over the related assets' estimated useful economic lives. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized. The cost of maintenance and repairs is charged to expenses as incurred.

If the College determines a conditional asset retirement obligation exists, it assesses whether or not the amount of the obligation can be reasonably estimated. If the obligation can be reasonably estimated, the College records the present value of the obligation, the corresponding cost is capitalized, and the liability is accreted to fair value each reporting period until settled. Depreciation of the cost is recognized over the life of the related asset.

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Notes to Consolidated Financial Statements

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(i) Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated discounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. No impairments were recognized for the years ended May 31, 2025 and 2024.

(j) Deferred Revenue and Student Deposits

Deferred revenue represents the amount of unearned services related to tuition, fees and auxiliary enterprises that are in progress as of year-end. Deferred revenue is reported as revenue over time, generally within the subsequent 12 months given the nature and duration of the underlying services being provided. Student deposits represent advance payments by students.

(k) Bond Issuance Costs

Bond issuance costs are amortized using the effective interest method over the life of the associated bond issue. The debt issuance costs related to a recognized debt liability are presented on the consolidated statement of financial position as a direct deduction from the debt liability, similar to the presentation of debt premiums and discounts.

(l) Leases

The College has entered into a variety of operating and finance leases for office and classroom space, and equipment. The obligations associated with these leases have been recognized as a liability in the consolidated statement of financial position based on future lease payments, discounted by the incremental borrowing rate.

Lease terms may include options to extend or terminate certain leases. The renewal options are included in the determination of the lease obligation if it is reasonably certain management will exercise an option to extend or terminate a lease.

(m) Revenue from Contracts with Customers

Under ASC Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

BERKLEE COLLEGE OF MUSIC, INC.

Notes to Consolidated Financial Statements

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(n) Tax Status

The College is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is generally exempt from taxes pursuant to Section 501(a) of the Code. Accordingly, it is generally not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The College has generated unrelated business income for the year ended May 31, 2025. The College has not taken any uncertain tax positions.

(o) Foreign Currency Translation

The College's accounting records, for Valencia, Spain, are maintained in the functional currency of U.S. dollars. The cumulative adjustment from foreign currency translation at May 31, 2025, and 2024 included in Institutional Support was a net gain/(loss) of \$2,951 and \$(152,179), respectively.

(p) Self-Funded Insurance

The College has a self-funding medical insurance program, open to most employees and certain of their family members, in order to manage rising health insurance costs over the long-term. A stop loss policy is in effect, which limits the College's annual loss per claimant to \$325,000 and 125% of expected claims, as calculated by the program's actuary on an aggregate basis. The College's expense under the self-insured medical plan amounted to \$13,936,487 and \$14,998,900 for the years ended May 31, 2025, and 2024, respectively. The estimated unpaid claims liability, included in accrued expenses at May 31, 2025, and 2024, amounted to \$1,046,000 and \$2,392,000, respectively.

(q) Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(r) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported total net assets or changes in net assets.

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(3) Liquidity and Availability of Resources

As of May 31, 2025, and 2024, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, are as follows:

	2025	2024
Financial assets available within one year:		
Cash and cash equivalents	\$ 16,815,607	30,601,031
Contributions and accounts receivable, net	21,457,838	20,178,596
Short-term investments	86,446,026	88,784,809
Approved endowment appropriation	20,389,388	18,658,758
	\$ 145,108,859	158,223,194
Liquidity resources:		
Line of credit	25,000,000	25,000,000
Financial assets and liquidity resources available within one year:	\$ 170,108,859	183,223,194

The College maintains a \$25,000,000 revolving line of credit facility, which is renewed annually, with the next renewal scheduled for April 2026. There were no outstanding borrowings under this facility as of May 31, 2025 or 2024. The College actively manages its financial resources through a mix of short, medium, and long-term operating investment strategies, aligning cash inflows with anticipated outflows in accordance with Board-approved policies. Additionally, as of May 31, 2025 and 2024, the College held \$343,635,625 and \$318,458,623, respectively, in Board-designated endowments not budgeted for spending in 2025 and 2024, which is available for general expenditure with Board approval.

BERKLEE COLLEGE OF MUSIC, INC.
Notes to Consolidated Financial Statements
May 31, 2025 and 2024

(4) Investments

The following tables summarize the College's investments by major category in the fair value hierarchy as of May 31, 2025 and 2024, as well as related strategy, liquidity, and funding commitments:

	May 31, 2025			Redemption or liquidation	Days' notice	Related unfunded commitment
	Level 1	Level 2	Total			
Short-term investment strategies:						
Investments at fair value:						
Cash equivalents	\$ 164,852	—	164,852			
Money market	26,754,070	—	26,754,070			
Fixed income	—	23,551,029	23,551,029			
Global equities	35,976,075	—	35,976,075			
Short-term investment strategies:	<u>62,894,997</u>	<u>23,551,029</u>	<u>86,446,026</u>			
Long-term investment strategies:						
Investments at fair value:						
Cash equivalents	\$ 45,387,189	—	45,387,189			
Global equities	3,695,953	—	3,695,953			
Investments at net asset value:						
Global equities:						
Developed markets	—	—	95,831,727	Various (1)	30-60	None
Multiple strategies	—	—	5,143,744	Annually	60	None
Private equity and venture capital funds	—	—	16,208,592	Illiquid (2)	N/A	7,174,336
Real assets:						
Private real estate	—	—	13,333,026	Illiquid (3)	N/A	2,284,699
Direct hedge equity/multiple strategies	—	—	131,551,219	Various (4)	45-90	None
Direct absolute return/multiple strategies	—	—	154,372,961	Various (5)	45-180	None
Long-term investment strategies:	<u>49,083,142</u>	<u>—</u>	<u>465,524,411</u>			
Total	<u>\$ 111,978,139</u>	<u>23,551,029</u>	<u>551,970,437</u>			

(1) Funds with monthly, 30-day notice redemption = \$20,468,110; funds with monthly, 60-day notice redemption = \$11,748,190; funds with quarterly, 30-day notice redemption = \$44,524,254; funds with rolling 5-year, 60-day notice = \$19,091,173

(2) These funds are expected to liquidate within 1-8 years

(3) Various limitations on withdrawals

(4) Funds with quarterly redemption = \$9,483,680, annually = \$64,812,813, semi-liquid = \$5,285,601, rolling 3 years = \$33,457,479, rolling 5 years = \$18,511,646

(5) Funds with monthly redemption = \$4,788,524, quarterly = \$32,564,640, and annually = \$117,019,797

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	May 31, 2024			Redemption or liquidation	Days' notice	Related unfunded commitment
	Level 1	Level 2	Total			
Short-term investment strategies:						
Investments at fair value:						
Cash equivalents	\$ 100,177	—	100,177			
Money market	32,039,099	—	32,039,099			
Fixed income	—	22,474,603	22,474,603			
Global equities	34,170,930	—	34,170,930			
Short-term investment strategies	66,310,206	22,474,603	88,784,809			
Long-term investment strategies:						
Investments at fair value:						
Cash equivalents	\$ 13,292,903	—	13,292,903			
Global equities	4,896,849	—	4,896,849			
Investments at net asset value:						
Global equities:						
Developed markets	—	—	105,021,844	Various (1)	30-60	None
Multiple strategies	—	—	9,426,906	Annually	60	None
Private equity and venture capital funds	—	—	16,562,222	Illiquid (2)	N/A	3,297,181
Real assets:						
Private real estate	—	—	11,873,388	Illiquid (3)	N/A	3,647,199
Direct hedge equity/multiple strategies	—	—	117,406,436	Various (4)	45-90	None
Direct absolute return/multiple strategies	—	—	147,903,916	Various (5)	45-180	None
Long-term investment strategies	18,189,752	—	426,384,464			
Total	\$ 84,499,958	22,474,603	515,169,273			

(1) Funds with monthly, 30 day notice redemption = \$18,822,309, funds with monthly, 60 day notice = \$6,830,778, funds with quarterly, 30-day notice redemption = \$64,649,522, funds with rolling 5 year, 60 day notice = \$14,719,235

(2) These funds are expected to liquidate within 1-8 years

(3) Various limitations on withdrawals

(4) Funds with quarterly redemption = \$8,642,659, annually = \$66,538,151, semi-liquid = \$4,722,682, rolling 3 years = \$23,202,605 rolling 5 years = \$14,300,339

(5) Funds with monthly redemption = \$7,206,163, quarterly = \$29,416,038, and annually = \$111,281,714

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Alternative investments are redeemable at NAV under the original terms of the partnership agreement and/or subscription agreements and operations of underlying funds. All alternative investment redemptions require written notice prior to the redemption period. The long-term investments' fair values as of May 31, 2025 are classified below by redemption period:

	Investment fair values
Investments redemption period:	
Daily	\$ 135,529,169
Monthly	37,004,824
Quarterly	86,572,574
Annually	186,976,353
Locked up or illiquid	105,887,517
Total as of May 31, 2025	\$ 551,970,437

The investments categorized as locked up are those funds that are locked up based on subscription agreements until liquidation, such as private equity and real asset funds.

(5) Endowment

The College's endowment consists of approximately 325 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees (the Board) to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) Interpretation of Relevant Law

The College is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as adopted by the Commonwealth of Massachusetts. Under UPMIFA, the Board has discretion to determine appropriate expenditures of a donor-restricted endowment fund in accordance with a robust set of guidelines about what constitutes prudent spending. UPMIFA permits the College to appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Seven criteria are to be used to guide the College in its yearly expenditure decisions: 1) duration and preservation of the endowment fund; 2) the purposes of the College and the endowment fund; 3) general economic conditions; 4) effect of inflation or deflation; 5) the expected total return from income and the appreciation of investments; 6) other resources of the College; and 7) the investment policy of the College.

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Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. Under UPMIFA, the Board is permitted to determine and continue a prudent payout amount, even if the market value of the fund is below historic dollar value. There is an expectation that, over time, the donor restricted amount will remain intact. This perspective is aligned with the accounting standards definition that donor restricted funds are those that must be held in perpetuity even though the historic dollar value may be dipped into on a temporary basis.

The College classifies as donor restricted net assets (a) the original value of gifts donated to the donor restricted endowment, (b) the original value of subsequent gifts to the donor restricted endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund represents accumulated investment return on these donor restricted net assets and is classified as donor restricted net assets, until appropriated for spending by the Board.

(b) Return Objectives and Risk Parameters

The College has adopted investment and spending policies for endowment assets that are intended to ensure a total return (yield plus capital appreciation) necessary to at least preserve but expected to enhance (in real dollar terms) endowment assets, while providing a dependable source of income for current operations and scholarships. Endowment assets include those assets of donor-restricted funds that the College must hold in perpetuity or for a donor-specified period as well as board-designated funds.

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

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

Under the College's current endowment spending policy, which is within the guidelines specified under state law, 4.5% of the average of the fair value of qualifying endowment investments at the end of the previous three years is authorized for appropriation. The authorized appropriation amounted to \$18,658,758 in 2025 and \$17,711,948 in 2024. In establishing this policy, the College considered the expected return on its endowment. Accordingly, the College expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts. Additional real growth will be provided through new gifts and any excess investment return.

(d) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below their original contributed value. These deficiencies result from unfavorable market fluctuations that occurred after the investment of new permanently restricted contributions. Deficiencies of this nature that are reported as reductions in net assets with donor restrictions totaled \$0 and \$8,473 as of May 31, 2025 and 2024, respectively.

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Endowment funds consisted of the following at May 31, 2025:

	Without donor restrictions	With donor restrictions		
		Underwater funds	Other funds	Total
Donor-restricted endowments:				
Historical gift	\$ —	—	86,849,779	86,849,779
Net appreciation	—	—	35,039,007	35,039,007
Board-designated endowments	<u>343,635,625</u>	—	—	<u>343,635,625</u>
Total endowed funds	<u>\$ 343,635,625</u>	<u>—</u>	<u>121,888,786</u>	<u>465,524,411</u>

Endowment funds consisted of the following at May 31, 2024:

	Without donor restrictions	With donor restrictions		
		Underwater funds	Other funds	Total
Donor-restricted endowments:				
Historical gift	\$ —	462,136	81,100,871	81,563,007
Net appreciation	—	(8,473)	26,371,307	26,362,834
Board-designated endowments	<u>318,458,623</u>	—	—	<u>318,458,623</u>
Total endowed funds	<u>\$ 318,458,623</u>	<u>453,663</u>	<u>107,472,178</u>	<u>426,384,464</u>

Changes in endowment funds for the year ended May 31, 2025 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, June 1, 2024	\$ 318,458,623	107,925,841	426,384,464
Total investment return, net	40,088,790	13,281,081	53,369,871
Contributions	—	5,286,772	5,286,772
Appropriation of endowment assets for expenditure	(14,256,497)	(4,402,261)	(18,658,758)
Transfers and other	<u>(655,291)</u>	<u>(202,647)</u>	<u>(857,938)</u>
Endowment funds, May 31, 2025	<u>\$ 343,635,625</u>	<u>121,888,786</u>	<u>465,524,411</u>

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Changes in endowment funds for the year ended May 31, 2024 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment funds, June 1, 2023	\$ 293,718,539	96,303,115	390,021,654
Total investment return, net	36,201,482	11,248,469	47,449,951
Contributions	—	3,870,493	3,870,493
Appropriation of endowment assets for expenditure	(13,020,688)	(4,691,260)	(17,711,948)
Transfers and other	1,559,290	1,195,024	2,754,314
Endowment funds, May 31, 2024	<u>\$ 318,458,623</u>	<u>107,925,841</u>	<u>426,384,464</u>

(6) Property, Plant, and Equipment, net

Property, plant, improvements, and equipment, net consisted of the following at May 31:

	<u>2025</u>	<u>2024</u>	<u>Estimated useful life</u>
Land	\$ 56,752,952	56,752,952	—
Buildings	200,035,298	200,035,298	40 years
Improvements	222,935,285	215,446,226	15–20 years
Furniture and equipment	54,242,762	50,540,923	3–10 years
Library books	3,264,214	3,264,214	10 years
Construction in progress	24,016,788	6,007,360	—
	561,247,299	532,046,973	
Less accumulated depreciation and amortization	<u>(244,633,899)</u>	<u>(226,430,629)</u>	
	<u>\$ 316,613,400</u>	<u>305,616,344</u>	

Total depreciation and amortization expense of property, plant, and equipment was \$19,457,972 and \$17,729,236 in 2025 and 2024, respectively.

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(7) Bonds Payable, net

Bonds payable consisted of the following at May 31:

	2025	2024
(a) MDFA Revenue Bonds, Berklee College of Music Series 2016, dated August 1, 2016 (including unamortized premium of \$23,681,772 and \$24,796,208 in 2025 and 2024, respectively)	\$ 150,536,772	156,151,208
(b) MDFA Revenue Bonds, Berklee College of Music Series 2020A, dated March 1, 2020 (including unamortized discount of \$108,332 and \$112,695 in 2025 and 2024, respectively)	73,276,668	75,387,305
Total bonds payable	223,813,440	231,538,513
Deferred issuance cost on bonds	(1,405,740)	(1,468,267)
Bonds payable, net	\$ 222,407,700	230,070,246

(a) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2016

On August 1, 2016, the College issued \$149,505,000 Revenue Bonds, Series 2016 (the Series 2016 bonds) from the Massachusetts Development Finance Agency. The Series 2016 bonds bear interest at rates ranging from 4.0% to 5.0% and principal is due in varying installments of \$1,425,000 to \$22,525,000 until October 1, 2046.

(b) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2020A

On March 1, 2020, the College issued \$79,630,000 Revenue Bonds, Series 2020A (the Series 2020A bonds) from the Massachusetts Development Finance Agency. The Series 2020A bonds bear interest at rates ranging from 1.47% to 3.09% and principal is due in varying installments of \$2,050,000 to \$26,070,000 until October 1, 2049.

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Scheduled long-term maturities of existing indebtedness at May 31, 2025 in each of the next five years and in the aggregate thereafter are as follows:

	Amount
Year ending May 31:	
2026	\$ 6,880,000
2027	7,155,000
2028	7,450,000
2029	7,760,000
2030	8,090,000
Thereafter	162,905,000
	200,240,000
Net unamortized bond premium and discount	23,573,440
	\$ 223,813,440

(8) Student Accounts Receivable, net

Student accounts receivable consisted of the following at May 31:

	2025	2024
Student accounts receivable	\$ 22,882,140	22,525,738
Less allowance for doubtful accounts	(3,709,742)	(5,023,468)
Student accounts receivable, net	\$ 19,172,398	17,502,270

(9) Contributions Receivable, net

Contributions receivable consist of the following at May 31:

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,539,378	2,973,695
One year to five years	1,824,353	3,609,306
Six to ten years	30,000	45,000
	4,393,731	6,628,001
Less allowance for uncollectible pledges	(439,373)	(637,053)
	3,954,358	5,990,948
Less present value discount	(211,496)	(381,218)
Contributions receivable, net	\$ 3,742,862	5,609,730

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The present value of estimated future cash flows is measured utilizing a discount rate equivalent to U.S. Treasury yields of similar maturity (3-year, 5-year, and 10-year rates) based on the anticipated pledge fulfillment date. The rates utilized to calculate the discount ranged from 0.05% - 5.18% in 2024 and 0.30% - 5.18% in 2025.

(10) Retirement Plans

The College offers a defined contribution retirement plan to substantially all employees. This plan provides all current investments through Transamerica, as well as some previously made investments through the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). The College matches all savings in a pay period up to 3% of pay for full-time employees hired before January 1, 2012, up to 6% of pay for full-time employees hired January 1, 2012 or later, and up to 50% of 10% of pay for eligible part-time employees who are eligible for medical benefits under the College's healthcare program. All eligible, full-time employees hired after January 1, 2012 also receive an additional 3% of pay. The College contributed \$9,474,944 and \$8,772,177, respectively, for the years ended May 31, 2025 and 2024.

The College also sponsors a noncontributory, defined benefit pension plan (the Pension Plan) that covers substantially all those full-time employees that were hired prior to January 1, 2012. The Pension Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service with the College and their compensation rates near retirement. The Pension Plan's funding deficit or surplus is recognized in statement of financial position measured as of the date of the College's fiscal yearend. The College froze the Pension Plan to new membership as of January 1, 2012.

Pension expense for the years ended May 31 includes the following components:

	<u>2025</u>	<u>2024</u>
Service cost of the current period	\$ 3,164,299	3,495,389
Interest cost on the projected benefit obligation	6,270,663	5,940,245
Expected return on assets held in the plan	(6,301,889)	(6,411,889)
Recognition of net actuarial loss	419,646	1,278,048
Pension expense	<u>\$ 3,552,719</u>	<u>4,301,793</u>

The following sets forth the change in benefit obligation, change in plan assets, and funded status of the Pension Plan and the amounts shown in the accompanying consolidated statements of financial position at May 31:

	<u>2025</u>	<u>2024</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 125,689,010	131,716,818
Service cost	3,164,299	3,495,389
Interest cost	6,270,663	5,940,245
Actuarial gain	(2,123,645)	(3,718,162)
Benefits and administrative expenses paid	(8,090,365)	(11,745,280)
Benefit obligation at end of year	<u>\$ 124,909,962</u>	<u>125,689,010</u>

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	2025	2024
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 99,888,497	97,648,569
Actual return on plan assets	9,167,134	9,270,619
Employer contributions	6,366,090	4,714,589
Benefits paid	(7,364,504)	(11,033,323)
Administrative Expenses	(725,861)	(711,957)
Fair value of assets held in the plan	107,331,356	99,888,497
Pension liability at end of year	\$ 17,578,606	25,800,513

The assumptions underlying the actuarial computations and changes in the benefit obligation as of and for the years ended May 31 were as follows:

Weighted-average assumptions used to determine benefit obligations	2025	2024
Discount rate	5.51%	5.35%
Rate of compensation increase	3.00%	3.00%

Weighted-average assumptions used to determine net periodic pension cost	2025	2024
Discount rate:		
Pension benefit obligation	5.35%	4.88%
Service cost	5.39%	4.94%
Interest cost	5.26%	4.78%
Rate of compensation increase	3.00%	3.00%
Expected long-term rate of return on plan assets	6.50%	6.90%

The actuarial gain reflects the increase in the discount rate of 0.16% and 0.47% at May 31, 2025 and 2024, respectively.

The expected long term rate of return on assets was determined by considering the current and expected asset allocations, as well as historical and expected returns on the categories of plan assets.

The expected employer contributions to the Pension Plan in the fiscal year ended 2026 are \$6,508,013.

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The benefits expected to be paid after May 31, 2025 are as follows:

Years ending May 31:	
2026	\$ 14,401,299
2027	9,956,133
2028	9,901,733
2029	9,492,467
2030	9,235,330
2031–2035	46,450,546

Other changes in pension liability recognized in net assets without donor restrictions were as follows:

	Fiscal years ended May 31,	
	2025	2024
Net gain	\$ 5,408,535	7,854,940

The College's asset allocations and investment policy guidelines as of the measurement date are as follows:

	Target allocation	Plan assets at May 31	
		2025	2024
Equity securities	62.5%	21%	22%
Debt securities	7.5%	—	—
Real Estate / Other	30%	79%	78%

The investment strategy of the Pension Plan is designed to maximize total return (income plus capital change) while preserving the capital values of the funds, protecting the funds from inflation, and providing liquidity as needed for plan benefits. The objective is to provide a rate of return that meets or exceeds the expected long-term rate of return on plan assets.

The investment strategy of the noncontributory retirement plan is to allocate assets among investment classes that will provide for stability and growth of plan assets in varying market environments. To that end, the plan has adopted policies that require each asset class to be diversified and that multiple managers with differing styles of management are employed. On a quarterly basis, the plan reviews progress toward achieving its and individual managers' performance objectives.

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The value of the Pension Plan's assets by asset class are as follows at May 31, 2025:

	<u>May 31, 2025</u>		<u>Redemption or liquidation</u>	<u>Days' notice</u>	<u>Related unfunded commitment</u>
	<u>Level 1</u>	<u>Total</u>			
Investments at fair value:					
Cash equivalents and fixed income	\$ 24,642,277	24,642,277			
International equities	4,784,840	4,784,840			
Investments at net asset value:					
International equities	—	28,486,036	Monthly/ quarterly	30 days	None
Flexible capital	—	41,287,770	Quarterly/ annually	0-180 days	None
Private equity & venture capital funds	—	719,261	Illiquid	N/A	824,320
Real assets	—	7,411,172	Illiquid	N/A	744,369
	<u>\$ 29,427,117</u>	<u>107,331,356</u>			

The value of the Pension Plan's assets by asset class are as follows at May 31, 2024:

	<u>May 31, 2024</u>		<u>Redemption or liquidation</u>	<u>Days' notice</u>	<u>Related unfunded commitment</u>
	<u>Level 1</u>	<u>Total</u>			
Investments at fair value:					
Cash equivalents and fixed income	\$ 22,256,988	22,256,988			
International equities	4,411,555	4,411,555			
Investments at net asset value:					
International equities	—	24,235,842	Monthly/ quarterly	30 days	None
Flexible capital	—	41,468,704	Quarterly/ annually	0-180 days	None
Private equity & venture capital funds	—	978,048	Illiquid	N/A	852,700
Real assets	—	6,537,360	Illiquid	N/A	939,257
	<u>\$ 26,668,543</u>	<u>99,888,497</u>			

No investments at fair value are considered to be Level 2 or Level 3 investments in the fair value hierarchy at May 31, 2025 and 2024, respectively.

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(11) Right of Use Assets and Lease Liabilities

Lessee

Operating lease right-of-use assets obtained in exchange for new operating lease liabilities were \$1,934,429 and \$32,711,351 in 2025 and 2024, respectively.

Finance lease right-of-use assets obtained in exchange for new finance lease liabilities were \$0 and \$5,553,768 in 2025 and 2024, respectively.

The following table summarizes the College's lease assets and liabilities as of May 31:

<u>Right of use assets and lease liabilities</u>	<u>Statement of Financial Position</u>	<u>2025</u>	<u>2024</u>
Right of use assets – Operating	Right of use assets	\$ 44,854,878	48,611,200
Right of use assets – Financing	Right of use assets	3,980,475	4,998,391
Right of use liabilities – Operating	Lease liabilities	48,361,325	50,122,407
Right of use liabilities – Financing	Lease liabilities	3,394,945	4,440,439

Lease rental costs, net as reported in the consolidated statement of activities amount to:

	<u>2025</u>	<u>2024</u>
Operating lease cost	\$ 7,906,478	5,580,611
Less: Sublease income	(375,619)	(350,967)
	<u>\$ 7,530,859</u>	<u>5,229,644</u>

The following table summarizes the College's finance lease related costs for the year ended May 31:

<u>Finance lease cost</u>	<u>Statement of Activities</u>	<u>2025</u>	<u>2024</u>
Amortization of right of use assets	Depreciation and amortization	\$ 1,150,541	555,377
Interest on lease liabilities	Interest	154,316	86,480

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The following table summarizes maturities of lease liabilities as of May 31, 2025:

	<u>Operating</u>	<u>Financing</u>
2026	\$ 7,742,497	1,199,810
2027	7,849,893	1,199,810
2028	6,354,786	1,199,810
2029	4,223,697	—
2030 – 2040	<u>35,746,721</u>	<u>—</u>
	61,917,594	3,599,430
Less present value discount lease liability	<u>(13,556,269)</u>	<u>(204,485)</u>
	<u>\$ 48,361,325</u>	<u>3,394,945</u>

The following table summarizes information about operating and financing leases as of May 31, 2025:

	<u>2025</u>		<u>2024</u>	
	<u>Operating</u>	<u>Financing</u>	<u>Operating</u>	<u>Financing</u>
Weighted average remaining lease term (years)	11.0	3.5	11.4	4.5
Weighted average discount rate	4.80%	3.94%	4.94%	3.94%

Lessor

The College generates rental income from several buildings it owns in which the College is the lessor and from certain subleases. The future undiscounted cash flows to be received from leases for each of the next five years and thereafter:

	<u>Amount</u>
Fiscal year:	
2026	\$ 1,298,409
2027	1,300,190
2028	1,278,049
2029	1,236,553
2030	843,665
Thereafter	1,952,602

Rental income from leased space was \$1,108,541 in 2025 and \$1,323,229 in 2024, respectively.

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(12) Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30:

	2025		
	Time or purpose restricted	Perpetually restricted	Total
Contributions receivable	\$ 2,591,842	1,083,388	3,675,230
Purpose restrictions:			
Instruction	5,504,067	14,983,343	20,487,410
Institutional support	8,646,933	7,660,455	16,307,388
Student aid	12,385,462	64,205,981	76,591,443
Facilities	182,851	—	182,851
Capital campaign programs	8,219,429	—	8,219,429
Unappropriated accumulated endowment gains	<u>34,235,315</u>	<u>—</u>	<u>34,235,315</u>
	<u>\$ 71,765,899</u>	<u>87,933,167</u>	<u>159,699,066</u>
	2024		
	Time or purpose restricted	Perpetually restricted	Total
Contributions receivable	\$ 3,523,096	1,801,901	5,324,997
Purpose restrictions:			
Instruction	4,733,487	14,972,083	19,705,570
Institutional support	11,053,833	7,634,935	18,688,768
Student aid	13,744,648	58,955,989	72,700,637
Facilities	182,851	—	182,851
Capital campaign programs	8,482,770	—	8,482,770
Unappropriated accumulated endowment gains	<u>25,418,453</u>	<u>—</u>	<u>25,418,453</u>
	<u>\$ 67,139,138</u>	<u>83,364,908</u>	<u>150,504,046</u>

The College classifies unspent gains as with donor restrictions until it appropriates and spends such sums in accordance with the terms of the underlying endowment funds, at which time, they will be reclassified to without restriction revenues.

BERKLEE COLLEGE OF MUSIC, INC.

Notes to Consolidated Financial Statements

May 31, 2025 and 2024

(14) Related Parties

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

(15) Subsequent Events

For purposes of determining the effects of subsequent events on these consolidated financial statements, management has evaluated events subsequent to May 31, 2025 and through October 10, 2025 the date on which the consolidated financial statements were issued.