Rhode Island School of Design

Consolidated Financial Statements
June 30, 2023 and 2022

Rhode Island School of Design
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Independent Auditors' Report

To the Board of Trustees of
Rhode Island School of Design

Opinion

We have audited the consolidated financial statements of Rhode Island School of Design and its subsidiaries (the School), which comprise the consolidated statements of financial position 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 financial position of the School 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 accounting principles generally accepted in the United States of America.

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 School 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 accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 School's ability to continue as a going concern within one year after the date that the 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 School'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 School'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.

Baker Tilly US, LLP

New York, New York
October 26, 2023

Rhode Island School of Design
Consolidated Statements of Financial Position
June 30, 2023 and 2022
(Dollars in thousands)

	2023	2022
Assets		
Cash and cash equivalents	$ 26,188	$ 41,508
Accounts receivable, net (Note 6)	3,906	3,676
Pledges receivable, net (Note 7)	5,021	5,554
Funds held in trust by others (Note 2)	844	800
Inventories	1,360	1,316
Prepaid expenses	2,686	1,937
Other investments (Note 2)	590	556
Long-term investments (Note 2)	390,926	373,813
Right of use assets - operating (Note 12)	5,177	3,303
Property, plant and equipment, net (Note 8)	279,462	277,966
Total assets	$ 716,160	$ 710,429
Liabilities		
Accounts payable and accrued liabilities (Note 9)	$ 10,118	$ 14,551
Deferred income (Note 10)	6,384	6,236
Obligations under long-term agreements (Note 11)	9,565	9,715
Lease liability (Note 12)	5,361	3,466
U.S. Government loan funds	-	499
Bonds payable, net (Note 13)	187,400	194,952
Total liabilities	218,828	229,419
Net Assets		
Net assets without donor restrictions (Notes 14, 15)	322,007	314,367
Net assets with donor restrictions (Notes 14, 15)	175,325	166,643
Total net assets	497,332	481,010
Total liabilities and net assets	$ 716,160	$ 710,429

The accompanying notes are an integral part of the consolidated financial statements.

Rhode Island School of Design
Consolidated Statements of Activities
Year Ended June 30, 2023
(With Summarized Financial Information for the Year Ended June 30, 2022)
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Operating revenues				
Net tuition and fees	$ 120,557	$ -	$ 120,557	$ 116,046
Gifts and pledges	3,558	3,651	7,209	7,451
Grants	2,005	883	2,888	7,243
Auxiliary enterprises	28,667	(3)	28,664	25,042
Museum services	792	-	792	642
Investment income	14,079	5,695	19,774	17,390
Other income	4,283	5	4,288	4,898
Net assets released from restrictions	11,463	(11,463)	-	-
Total revenues	185,404	(1,232)	184,172	178,712
Operating expenses				
Salaries and wages	88,116	-	88,116	82,327
Benefits	23,202	-	23,202	20,033
Contracted services	21,826	-	21,826	19,771
Depreciation, amortization and interest	21,923	-	21,923	21,712
Utilities, plant and equipment	15,739	-	15,739	14,088
Supplies and general	10,087	-	10,087	8,623
Other operating expenses	3,132	-	3,132	3,880
Total expenses	184,025	-	184,025	170,434
Change in net assets from operating activities	1,379	(1,232)	147	8,278
Nonoperating				
Realized and unrealized on interest rate swaps, net	-	-	-	(470)
Realized and unrealized gains (losses) on investments, net	5,436	4,009	9,445	(70,014)
Realized gain on sale of asset	825	-	825	-
Gifts and pledges	-	5,905	5,905	4,987
Change in net assets from nonoperating activities	6,261	9,914	16,175	(65,497)
Change in net assets	7,640	8,682	16,322	(57,219)
Total net assets				
Beginning of year	314,367	166,643	481,010	538,229
End of year	$ 322,007	$ 175,325	$ 497,332	$ 481,010

The accompanying notes are an integral part of the consolidated financial statements.

Rhode Island School of Design
Consolidated Statement of Activities
Year Ended June 30, 2022
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	2022 Total
Operating revenues			
Net tuition and fees	$ 116,046	$ -	$ 116,046
Gifts and pledges	2,745	4,706	7,451
Grants	2,068	5,175	7,243
Auxiliary enterprises	25,042	-	25,042
Museum services	642	-	642
Investment income	12,421	4,969	17,390
Other income	4,898	-	4,898
Net assets released from restrictions	14,307	(14,307)	-
Total revenues	178,169	543	178,712
Operating expenses			
Salaries and wages	82,327	-	82,327
Benefits	20,033	-	20,033
Contracted services	19,771	-	19,771
Depreciation, amortization and interest	21,712	-	21,712
Utilities, plant and equipment	14,088	-	14,088
Supplies and general	8,623	-	8,623
Other operating expenses	3,880	-	3,880
Total expenses	170,434	-	170,434
Change in net assets from operating activities	7,735	543	8,278
Nonoperating			
Realized and unrealized loss on interest rate swaps, net	(470)	-	(470)
Realized and unrealized loss on investments, net	(47,529)	(22,485)	(70,014)
Gifts and pledges	-	4,987	4,987
Change in net assets from nonoperating activities	(47,999)	(17,498)	(65,497)
Change in net assets	(40,264)	(16,955)	(57,219)
Total net assets			
Beginning of year	354,631	183,598	538,229
End of year	$ 314,367	$ 166,643	$ 481,010

The accompanying notes are an integral part of the consolidated financial statements.

Rhode Island School of Design
Consolidated Statement of Cash Flows
Years Ended June 30, 2023 and 2022
(Dollars in thousands)

	2023	2022
Cash flows from operating activities		
Change in net assets	$ 16,322	$ (57,219)
Adjustments to reconcile change in net assets to net cash provided by(used in) operating activities		
Net realized and unrealized (gains) losses on investments	(27,965)	52,673
Net realized and unrealized on interest rate swaps	-	302
Change in perpetual trust	(45)	211
Depreciation and amortization expense, net of amortizations of bond premium	15,114	14,931
Contributions restricted for long-term purposes	(5,961)	(4,888)
Change in obligations under long-term agreements	417	420
Non-cash change in right of use assets and lease liability - operating	1,039	1,013
Student loans assigned, net	-	190
Net loss on bond refunding	-	296
Changes in operating assets and liabilities that provide (use) cash		
Accounts receivable	(229)	(1,240)
Pledges receivable	80	743
Other current assets	(794)	(660)
Accounts payable and accrued liabilities	(965)	(604)
Deferred income	150	1,887
Lease liability payments	(1,017)	(1,000)
Net cash (used in) provided by operating activities	(3,854)	7,055
Cash flows from investing activities		
Purchases of buildings and equipment	(20,373)	(12,207)
Student loans repaid	-	37
Purchases of investments	(14,726)	(24,424)
Sales of investments	25,580	33,438
Net cash used in investing activities	(9,519)	(3,156)
Cash flows from financing activities		
Payments on long-term debt	(7,257)	(5,430)
Deposit with bond escrow agent	-	(69,625)
Interest rate swap cancellation	-	(4,958)
Cost of issuance	-	(447)
Payments on obligations under long-term agreements	(569)	(559)
Proceeds from issuance of long-term debt	-	75,030
Change in U.S. Government loan funds	(499)	256
Proceeds from contributions restricted for long-term purposes	6,378	5,443
Net cash used in financing activities	(1,947)	(290)
Net (decrease) increase in cash and cash equivalents and restricted cash	(15,320)	3,609
Cash and cash equivalents and restricted cash		
Beginning of year	41,508	37,899
End of year	$ 26,188	$ 41,508
Supplemental cash flow disclosures		
Costs accrued for capital expenditures	$ 925	$ 3,467
Cash paid for interest	5,661	5,691
Right of use assets obtained in exchange for operating lease obligations	2,784	592

The accompanying notes are an integral part of the consolidated financial statements.

1. Nature of Operations and Significant Accounting Policies

Nature of Operations

The Rhode Island School of Design (the School) is a private, not-for-profit art and design college founded in 1877 and located in Providence, Rhode Island. The mission of the School, through its college and museum, is to educate its students and the public in the creation and appreciation of works of art and design, to discover and transmit knowledge and to make lasting contributions to a global society through critical thinking, scholarship and innovation.

The consolidated financial statements of the School have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP) and with the reporting principles of not-for-profit accounting. The School includes RISD Holdings, Inc. (RH) and Washington Place Holdings, LP (Washington Place), wholly owned subsidiaries. RH was founded in 1999, and was organized for the exclusive purposes of acquiring, holding title to, and collecting income from, real property. Washington Place was formed in 2017, for the purpose of endowment investment management.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the School and its wholly owned subsidiaries, RH and Washington Place. All significant inter-entity balances and transactions have been eliminated.

Financial statements of private, not-for-profit organizations measure aggregate net assets and net asset activity based on the absence or existence of donor-imposed restrictions. Net assets are reported as without donor restrictions and with donor restrictions and serve as the foundation of the accompanying consolidated financial statements. Brief definitions of the two net asset classes are presented below:

Net Assets Without Donor Restrictions – Net assets derived from tuition and other institutional resources that are not subject to explicit donor-imposed restrictions. Net assets without donor restrictions also include board designated funds functioning as endowment for scholarships, academic and institutional purposes, and museum support.

Net Assets with Donor Restrictions – Net assets that are subject to explicit donor-imposed restrictions on the expenditure of contributions or income and gains on contributed assets and net assets from endowments not yet appropriated for spending by the School. In addition, net assets with donor restrictions include restricted contributions from donors classified as funds functioning as endowment. The School records as net assets with donor restrictions the original amount of gifts which donors have given to be maintained in perpetuity. Restrictions and corresponding releases include support of specific departments of the School, professorships, research, faculty support, scholarships and fellowships, library and museum, building construction and other purposes. When time and purpose restrictions expire, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Measure of Operations

Revenues earned and expenses incurred in conducting the programs and services of the School, including gifts and investment income, are presented in the consolidated financial statements as operating activities. Net revenues and other resources from operating activities are not restricted by donors or other external sources and are, therefore, classified as net assets without donor restrictions. At the discretion of the School, all or a portion of the net assets resulting from any operating income may be designated for budgetary purposes, for capital acquisitions, for student loan funds, for principal payments on debt or for future use by the Board of Trustees.

Nonoperating revenue and expenses include net realized and unrealized gains and losses on the other assets, contributions to be invested by the School to generate a return that will support future operations, and investment return or loss beyond what the School has appropriated for current operational support in accordance with the School's investment return spending guidelines.

Revenue Recognition

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Such revenue and fees are presented at transaction prices, which are determined based on standard published rates for the services provided and approved by the Board of Trustees, less any financial aid awarded by the School to qualifying students. The amount of revenue per student may vary based on the specific programs or classes in which the student is enrolled. Sales and services of auxiliary enterprises revenue, which consists of room and board related services, is recognized when the related service is provided or performed. Generally, the School's performance obligations are satisfied equally over the academic term. The School applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less.

Amounts are due for tuition, fees, room and board at the beginning of each semester. In accordance with the School's refund policies, students may receive a full or partial refund up to five weeks after the start of the semester. Student accounts receivable includes amounts to which the School is unconditionally entitled. The School considers such amounts as unconditional based on the payment due date.

Gifts and pledges are recognized as revenue when received. Gifts specified for the acquisition or construction of long-lived assets are released to net assets without donor restrictions from net assets with donor restrictions when the assets are placed in service.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Amounts expected to be collected in future years are recorded as receivables at the present value of their expected cash flows, less an allowance for uncollectibles. The related revenue is assigned to net assets with donor restrictions until collected and any other restrictions are met, if so restricted by the donor.

Private grants are generally deemed to be exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants are generally one year or less in duration.

Government grants and contracts are deemed to be non-exchange (nonreciprocal) transactions. Revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the School to incur eligible expenses prior to the release of funds.

Investments
The fair values of publicly traded investments are determined based upon quoted market prices. The School's alternative investment funds are carried at estimated fair value determined by management, based upon valuations provided by management of the privately held investment funds as of June 30, 2023 and 2022. Alternative investments include limited partnerships, limited liability corporations, real estate, and offshore investment funds. Because investments in alternative investment funds are not marketable, the estimated value is subject to uncertainty and therefore, may differ significantly from the value that would have been used had a market for such investments existed and such differences could be material.

The School is transitioning from multiple fund managers to a single multi-strategy limited partnership fund (the Fund). The Fund's investment strategy focuses on varied traditional and nontraditional investment opportunities to provide a diversified single portfolio for investors. The Fund invests in the following asset classes: Equity (public and private), Hedge Funds, Real Assets (public and private), Fixed Income and Cash.

Cash and Cash Equivalents
Cash and cash equivalents include highly liquid investments with maturities of three-months or less at the time of purchase. Cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents on deposit with any one financial institution are insured up to $250. The School maintains its cash and cash equivalents with several financial institutions and exceeds the insured limits.

Inventories
Inventories consist primarily of items held for resale at the School's store and are stated at the lower of cost or net realizable value. The School uses the first-in, first-out method of accounting for inventory.

Split-Interest Agreements
The School is party to various split-interest agreements with regards to irrevocable trusts and other agreements. These agreements include: perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. The assets of gift annuities and pooled income funds are included at fair value in other investments on the consolidated statements of financial position. The obligations associated with these arrangements are recorded at present value of the aggregate liability to beneficiaries based upon life expectancy. Assets held by an outside trustee are classified as funds held in trust by others or as pledges receivable. These assets represent the School's share of the fair value of the trust assets as of the date of the consolidated statements of financial position net of a liability for the present value of estimated future payments to the donors or other beneficiaries, where applicable. Distributions of income from the trusts to the School are recorded as released from restriction when donor stipulations are met. Split-interest agreements and annuity obligations are based on certain assumptions regarding life expectancy, discount rate and rate of return. Circumstances affecting these assumptions can change the estimate of the liabilities in future periods.

Property, Plant and Equipment

Property, plant and equipment is stated at acquisition cost or the fair value as of the date of the gift, net of accumulated depreciation. Depreciation is computed on a straight-line basis over the following estimated useful lives:

Buildings and major improvements	15–45 years
Machinery and equipment	5 years
Furniture and fixtures	5 years

Expenditures for maintenance, repairs, interest and depreciation are expensed as incurred. Upon sale or retirement, the cost of the property and the related accumulated depreciation are removed from the respective accounts, and any resulting gains or losses are reflected in the consolidated statements of activities.

Capitalized interest costs are included within construction in process until the related asset is placed in service, at which point the capitalized interest costs are amortized over the respective asset’s estimated useful life.

Leases

The School has entered into a variety of operating leases for student housing facilities, office/classroom space, museum storage, copiers and computer equipment. Lease liabilities and their corresponding right of use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the School uses its incremental borrowing rate based on the information available at the lease commencement date, a rate which represents one that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Lease terms may include options to renew and/or terminate the lease, which can impact the lease term. The exercise of these options is at the School’s discretion and the School does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised.

The School has elected the short-term lease exemption and, therefore, does not recognize a right of use asset or corresponding liability for lease arrangements with an original lease term of 12 months or less. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

The School leases to others portions of certain buildings for cellular, retail, restaurant and office space. RH leases buildings which generally have a lease term of five years or less, and the School leases property for cellular use with a term of ten years, terminating in 2028. These leases are classified as operating leases and are included in other income on the consolidated statements of activities. Income from operating leases is not material to the consolidated financial statements.

Collections

The School does not capitalize or assign a value to the museum collections. Collections that are acquired through purchases and contributions are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or in net assets with donor restrictions if the assets used to purchase items is restricted by donors.

Contributed collection items are not reflected in the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

Auxiliary Services
Auxiliary services include the RISD Store, dining halls, residence halls, and other on-campus undertakings that provide services to students, faculty, and staff for fees directly related, but not necessarily equivalent, to the costs of the services.

Deferred Income
Deferred income represents tuition and fees received for programs and services to be conducted predominantly in the next fiscal year.

Advertising Costs
Advertising costs are charged to operations when incurred. Advertising costs amounted to $367 and $416 for the years ended June 30, 2023 and 2022, respectively. Such costs are included in other operating expenses in the accompanying consolidated statements of activities.

Tax Status
The School is qualified for exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. RH is qualified for exemption from Federal income tax under Section 501(c)(25) of the Internal Revenue Code.

Use of Estimates
The preparation of consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements
The School complies with accounting guidance for *Fair Value Measurements*, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Such guidance applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

The *Fair Value Measurements* standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement is determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace, as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or can be corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs for an asset or liability that are supported by little or no market activity.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The School is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The School's investments in private equity, hedge funds, and the Fund are fair valued based on the most current NAV.

The School, through its outsourced primary investment firm, performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with U.S. GAAP. The School has assessed factors including, but not limited to, managers' compliance with the *Fair Value Measurements* standard, price transparency, valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the consolidated financial statements to understand the nature and risk of the School's investments. Furthermore, investments which can be redeemed at NAV by the School on the measurement date or in the near term (defined as 90 days or less) are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. However, as required by U.S. GAAP, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

New Accounting Standards Not Yet Adopted

During June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The School is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its change in net assets, financial position and cash flows.

(Dollars in thousands)

2. Fair Value of Financial Instruments

In accordance with accounting guidance for Fair Value Measurements, the tables below summarize the financial instruments carried at fair value on a recurring basis as of June 30, 2023 and 2022, aggregated by the level in the fair value hierarchy within which those measurements fall. However, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy and instead are included in the following tables as "investments valued using the NAV practical expedient". The fair value amounts presented in the following tables are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued Using the NAV Practical Expedient	Total Fair Value 2023
Assets					
Investments					
Cash and cash equivalents	$ 2,141	$ -	$ -	$ -	$ 2,141
Multi-strategy limited partnership investment fund	-	-	-	368,277	368,277
Private equity	-	-	-	20,508	20,508
Total investments	2,141	-	-	388,785	390,926
Beneficial interests held by third parties and other investments	-	-	1,434	-	1,434
Total assets at fair value	$ 2,141	$ -	$ 1,434	$ 388,785	$ 392,360

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Valued Using the NAV Practical Expedient	Total Fair Value 2022
Assets					
Investments					
Cash and cash equivalents	$ 1,438	$ -	$ -	$ -	$ 1,438
Multi-strategy limited partnership investment fund	9,406	-	-	340,831	350,237
Hedge funds					
Fixed income	-	-	-	189	189
Private equity	-	-	-	21,949	21,949
Total investments	10,844	-	-	362,969	373,813
Beneficial interests held by third parties and other investments	-	-	1,356	-	1,356
Total assets at fair value	$ 10,844	$ -	$ 1,356	$ 362,969	$ 375,169

The School's policy for allocation to Levels 1, 2, 3 and Investments Valued Using the Practical Expedient in the tables above are described in Note 1.

The value of alternative investments (principally limited partnership interests in hedge, private equity, and other similar funds) represents the ownership interest in the NAV of the respective partnership as reported by the general partner. The School has performed due diligence around its alternative investments to ensure that they are recorded at fair value, which is based on the NAV. However, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy.

(Dollars in thousands)

Beneficial interest held by third parties are measured at fair value using the School's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the third parties, the School will never receive those assets to have the ability to direct the third parties to redeem them.

All net realized and unrealized gains in the tables above are reflected in the accompanying consolidated statements of activities and relate to those financial instruments held by the School at June 30, 2023 and 2022.

There were no transfers between levels for the years ended June 30, 2023 and 2022.

The following tables present liquidity information for the investments carried at fair value at June 30, 2023 and 2022, respectively.

	Investments Asset Value as of June 30, 2023			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Notice Period**
Investment type				
Cash and cash equivalents	$ 2,141	$ -	Liquid	N/A
Multi-strategy limited partnership investment fund	368,277	307	Semiannually	120 Days
Private equity	20,508	1,672	At Manager's Discretion	
Total	$ 390,926	$ 1,979		

	Investments Asset Value as of June 30, 2022			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Notice Period**
Investment type				
Cash and cash equivalents	$ 1,438	$ -	Liquid	N/A
Multi-strategy limited partnership investment fund	350,237	633	Semiannually	120 Days
Hedge funds				
Fixed income	189	-	Quarterly	7 Days
Private equity	21,949	984	At Manager's Discretion	
Total	$ 373,813	$ 1,617		

(Dollars in thousands)

3. Liquidity and Availability of Resources

The School's financial assets available, reduced by amounts not available for general use due to contractual or donor-imposed restrictions, within one year of the consolidated statement of financial position date for general expenditure as of June 30, 2023 and 2022 are as follows:

	2023	2022
Cash and cash equivalents	$ 14,885	$ 32,103
Accounts receivable, net	3,906	3,676
Appropriations from quasi-endowment	13,233	13,118
	$ 32,024	$ 48,897

Appropriations from the quasi-endowment, shown above, represent a portion of the approved fiscal year 2024 spending policy allocation available within the next 12 months. The School's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The Board of Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. For fiscal year 2024, the spending policy is to spend 5.00% of a rolling twelve-quarter average, of which $13,233 of appropriations from the quasi-endowment will be available for general use.

In addition to the noted available financial assets, a significant portion of the School's annual expenditures will be funded by current year operating revenues. The School's cash flows have seasonal variations during the year, attributable to tuition billing and concentration of contributions received at calendar and fiscal year end. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the School has a committed line of credit in the amount of $20,000 (Note 21), which it could draw upon. In addition, the School has a board-designated endowment of $256,960 (Notes 15, 16). Although the School does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the board-designated endowment could be made available if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

(Dollars in thousands)

4. Tuition and Fees

For the years ended June 30, 2023 and 2022, revenue from tuition and fees recognized by the School reflects aggregate reductions as follows:

	2023	2022
Tuition and fees	$ 155,717	$ 149,686
Less:		
School sponsored financial aid	(31,005)	(30,268)
Donor sponsored financial aid	(4,155)	(3,372)
Net tuition and fees	$ 120,557	$ 116,046

5. Investment Return

Investment return for the years ended June 30, 2023 and 2022, was as follows:

	2023			2022
	Without Donor Restriction	With Donor Restriction	Total	Total
Interest and dividend income	$ 1,154	$ 99	$ 1,253	$ 49
Net realized gains	14,730	6,523	21,253	24,036
Net unrealized gains (losses)	3,631	3,082	6,713	(76,709)
Total investment return	$ 19,515	$ 9,704	$ 29,219	$ (52,624)

Reconciliation from Consolidated Statement of Activities

	2023	2022
Investment income	$ 19,774	$ 17,390
Realized and unrealized gains (losses) on investments, net	9,445	(70,014)
Total investment return	$ 29,219	$ (52,624)

Investment management fees and other expenses (netted from realized gains and losses) totaled $2,058 and $2,346 for the years ended June 30, 2023 and 2022, respectively.

Certain net assets are pooled for investment income purposes. Units in the pool are assigned on the basis of fair value at the time net assets to be invested are received, and income is distributed monthly thereafter on a per-unit basis. The market value of long-term investments, as stated in the consolidated statements of financial position, represents the value of pooled endowment plus other nonpooled investments at June 30, 2023 and 2022.

(Dollars in thousands)

6. Accounts Receivable

Accounts receivable consisted of the following at June 30, 2023 and 2022:

	2023	2022
Student tuition and fees	$ 470	$ 956
Grants and contracts	3,597	3,347
	4,067	4,303
Less: Allowance for uncollectible accounts	(161)	(627)
Accounts receivable, net	$ 3,906	$ 3,676

7. Pledges Receivable

Pledges receivable at June 30, 2023 and 2022, are expected to be realized in the following periods:

	2023	2022
In one year or less	$ 1,877	$ 2,019
Between one year and five years, net of discount	2,779	3,517
Five years and over, net of discount	880	593
	5,536	6,129
Less: Allowance for uncollectible pledges	(515)	(575)
Pledges receivable, net	$ 5,021	$ 5,554

Pledges receivable expected to be collected within one year are recorded at their net realizable value. Those expected to be collected in future years are recorded at the present value of estimated future cash flows. The present value of estimated future cash flows has been measured at the time of the pledge using rates indicative of the market and credit risk associated with the pledge. Discount rates used to calculate the present value of pledges receivable ranged from 0.29% to 4.32%, resulting in discounts of $187 and $48 for the years ended June 30, 2023 and 2022, respectively.

(Dollars in thousands)

8. Property, Plant and Equipment

	2023	2022
Land and buildings		
Educational plant	$ 223,157	$ 220,980
Dormitories and refectory	165,983	165,697
Administrative and other	54,589	53,487
Construction in progress	12,862	7,123
Land	11,731	11,715
	468,322	459,002
Furniture, fixtures and equipment	79,790	72,115
	548,112	531,117
Less: Accumulated depreciation	(268,650)	(253,151)
Property, plant and equipment, net	$ 279,462	$ 277,966

Depreciation expense for the years ended June 30, 2023 and 2022 was $15,695 and $15,508, respectively.

Outstanding commitments on uncompleted construction contracts totaled $0 and $184 at June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022, the School capitalized interest costs of $0 and $114, respectively.

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following at June 30, 2023 and 2022:

	2023	2022
Trade accounts payable	$ 3,668	$ 5,111
Accrued interest	1,797	1,769
Accrued personnel liabilities	3,339	3,909
Healthcare self insurance reserve	604	568
Annuities payable	235	222
Other	475	2,972
Accounts payable and accrued liabilities	$ 10,118	$ 14,551

Included in trade accounts payable and other are construction related payables totaling $925 and $3,467 at June 30, 2023 and 2022, respectively.

(Dollars in thousands)

10. Deferred Income

Deferred income primarily represents payments received for tuition, room and board prior to the start of the fall academic term, as well as unearned revenue for the summer term. The following tables present a rollforward of the activities within deferred income for the years ended June 30, 2023 and 2022, respectively:

	Balance at 6/30/22	Revenue recognized included in 6/30/22 Balance	Payments received in advance of performance	Balance at 6/30/23
Degree programs	$ 1,517	$ (1,517)	$ 1,455	$ 1,455
Continuing education programs	3,369	(3,369)	3,316	3,316
Other	1,350	(1,350)	1,613	1,613
Total Deferred Income	$ 6,236	$ (6,236)	$ 6,384	$ 6,384

	Balance at 6/30/21	Revenue recognized included in 6/30/21 Balance	Payments received in advance of performance	Balance at 6/30/22
Degree programs	$ 2,084	$ (2,084)	$ 1,517	$ 1,517
Continuing education programs	2,181	(2,181)	3,369	3,369
Other	84	(84)	1,350	1,350
Total Deferred Income	$ 4,349	$ (4,349)	$ 6,236	$ 6,236

11. Obligations Under Long-Term Agreements

During fiscal year 2004, the School purchased the Center for Integrative Technology building and a long-term payment obligation to a third party was recognized. Based on a variety of assumptions, the current estimation is that the obligation will end on or about 2031. The principal obligation outstanding was $3,531 and $3,842 at June 30, 2023 and 2022, respectively.

Minimum annual obligation over the next five years and thereafter are as follows:

(Dollars in thousands)

2024	$	483
2025		483
2026		483
2027		483
2028		483
Thereafter		1,596
Total minimum payments		4,011
Interest expense		(480)
Total obligation	$	3,531

The School presents an asset retirement obligation on its consolidated statements of financial position that represents the probability and projected cost to remedy certain environmental hazards in relation to its buildings and boiler systems. The asset retirement obligation was $5,853 and $5,573 at June 30, 2023 and 2022, respectively, and is included within obligations under long-term agreements on the consolidated statements of financial position.

In December 2020, the School received a $600 non-interest-bearing note from National Grid, in participation with their Energy Initiative program. Payments are due in monthly installments of $10 through December 2024. The outstanding principal balance was $180 and $300 as of June 30, 2023 and 2022, respectively, and is included within obligations under long-term agreements on the consolidated statements of financial position.

(Dollars in thousands)

12. Leases

The School has operating right of use assets of $5,177 and $3,303 and lease liabilities of $5,361 and $3,466 at June 30, 2023 and June 30, 2022, respectively. The discount rates used range from 0.92% and 2.79%, for a weighted average discount rate of 2.25% and are based on the School's incremental borrowing rates over a comparable period to the respective lease. The remaining lease terms range from less than 1 year to 10 years, for a weighted average remaining lease term of 6.6 years.

The lease expense is reported in utilities, plant and equipment on the consolidated statements of activities and amounted to $1,039 and $1,016 for the years ended June 30, 2023 and June 30, 2022, respectively.

The following operating lease payments are expected to be paid for each of the following fiscal years ending June 30:

2024	$	1,008
2025		905
2026		919
2027		726
2028		724
Thereafter		1,735
Total minimum payments		6,017
Present value discount		(656)
Lease liability	$	5,361

13. Bonds Payable and Other Debt

Name	Original Issue	Fixed Rate	Maturity	2023	2022
Rhode Island Health and Education Building Corporation					
Series 2012	$28,340	2.50% - 4.00%	2024	$ 815	$ 1,620
Series 2012B	$51,815	2.50% - 5.00%	2025	4,725	6,925
Series 2018	$54,950	4.00% - 5.25%	2049	53,960	54,950
Series 2020	$52,905	0.82% - 3.09%	2036	51,870	52,390
Series 2021A	$70,041	1.98%	2037	70,041	70,041
Series 2021B	$4,989	2.61%	2024	2,247	4,989
Bonds payable, net				183,658	190,915
Add: Unamortized premium on bonds				4,951	5,367
Less: Bond issuance costs				(1,209)	(1,330)
Bonds payable, net				$ 187,400	$ 194,952

All bond premiums and issuance costs are being accreted straight line over the lives of the bonds which approximates the effective interest basis. Net amortization income of bond premiums and issuance costs for the years ended June 30, 2023 and 2022, was $295 and $297, respectively.

(Dollars in thousands)

Rhode Island Health and Education Building Corporation (RIHEBC)

On September 1, 2021, the School refinanced its variable rate debt by redeeming the Series 2008A and 2008B bonds and issuing $70,041 in Series 2021A bonds and $4,989 in Series 2021B federally taxable bonds. The proceeds from this issuance were used to repay principal balances of $37,775 and $31,850 of the Series 2008A and 2008B bond issuance, which were originally used for capital purposes, respectively, as well as $4,958 swap breakage fees to terminate the School's swap obligations. These repayments resulted in a net realized loss of $296, which is included in other operating expenses in the consolidated statements of activities. As a result of the refinancing of the School's variable rate debt, the School has also terminated its letters of credit effective October 1, 2021.

On September 13, 2018, the School sold $54,950 par value, 30 year, 5% coupon tax exempt bonds, resulting in $60,095 proceeds for use by the School, net of issuance costs. The School utilized the bond proceeds to construct a new residential facility and address deferred maintenance in several buildings. As of September 2021, the defined projects were complete and there were no remaining unused funds. The bonds maturing before August 15, 2029 are not subject to redemption prior to maturity (unless redeemed pursuant to the extraordinary redemption provisions). The bonds maturing on or after August 15, 2029 may be redeemed prior to maturity, at the option of the School beginning on or after August 15, 2028, in whole or in part at any time at their principal amounts, without premium, plus accrued interest to the redemption date.

Series 2012, 2012B and 2018 Bonds are subject to optional, extraordinary optional, and mandatory redemption.

The School is required to comply with financial covenants to support the Series 2021A and 2021B bonds. The liquidity ratio minimum requirement is 0.50 to 1. The School was in compliance with its debt covenant requirements as of June 30, 2023.

The School has pledged as collateral all revenue without donor restriction received in each fiscal year up to an amount equal to the debt service on the bonds due during the fiscal year.

Mandatory annual principal payments due for the next five years and thereafter are as follows:

2024	$	7,494
2025		7,727
2026		7,901
2027		8,025
2028		9,213
2029–2049		143,298
Total Annual principal payments	$	183,658

Cash paid for interest on long-term debt for the years ended June 30, 2023 and 2022, was $5,523 and $5,508, respectively. Interest expense, net of capitalized interest, was $5,425 and $5,421 for the years ended June 30, 2023 and 2022, respectively.

(Dollars in thousands)

14. Net Assets

Details of the School's net assets are provided below:

	2023	2022
Without donor restrictions		
Board and internally designated funds	$ 15,239	$ 16,125
Board designated for endowment	258,802	253,185
Capital and other undesignated funds	47,966	45,057
Total net assets without donor restrictions	322,007	314,367
With donor restrictions		
Restricted by time or purpose	35,490	38,600
Restricted by time or purpose within endowment	56,230	50,343
Restricted in perpetuity	83,605	77,700
Total net assets with donor restrictions	175,325	166,643
Total net assets	$ 497,332	$ 481,010

15. Endowment Funds

The School's endowment consists of approximately 304 individual donor-restricted endowment funds and 35 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date(s) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent 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 is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the School and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and appreciation of investments

(Dollars in thousands)

(6) Other resources of the School
(7) The investment policies of the School

Endowment net asset composition by type of fund as of June 30, 2023 and 2022, were as follows:

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated for			
Scholarships	$ 12,746	$ -	$ 12,746
Academic and institutional purposes	243,501	-	243,501
Museum support	2,555	-	2,555
Total board designated	258,802	-	258,802
Donor restricted for			
Scholarships	-	62,851	62,851
Academic and institutional purposes	-	36,197	36,197
Museum support	-	40,788	40,788
Total donor restricted	-	139,836	139,836
Total endowment funds	$ 258,802	$ 139,836	$ 398,638

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Board designated for			
Scholarships	$ 12,212	$ -	$ 12,212
Academic and institutional purposes	238,473	-	238,473
Museum support	2,500	-	2,500
Total board designated	253,185	-	253,185
Donor restricted for			
Scholarships	-	57,849	57,849
Academic and institutional purposes	-	32,513	32,513
Museum support	-	37,681	37,681
Total donor restricted	-	128,043	128,043
Total endowment funds	$ 253,185	$ 128,043	$ 381,228

(Dollars in thousands)

Changes in endowment net assets for the years ended June 30, 2023 and 2022, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2022	$ 253,185	$ 128,043	$ 381,228
Investment return, net of fees	18,675	9,582	28,257
Gifts	59	7,905	7,964
Endowment return allocated for spending	(13,117)	(5,695)	(18,812)
Endowment net assets at June 30, 2023	$ 258,802	$ 139,835	$ 398,637

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at June 30, 2021	$ 300,826	$ 142,081	$ 442,907
Investment return, net of fees	(35,333)	(17,084)	(52,417)
Gifts	65	8,015	8,080
Endowment return allocated for spending	(12,373)	(4,969)	(17,342)
Endowment net assets at June 30, 2022	$ 253,185	$ 128,043	$ 381,228

The following provides additional information about the School's policies regarding the management of its endowment assets.

Endowment Funds with Deficits
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When donor endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficiencies of this nature exist in 6 donor-restricted endowment funds, which together have an original gift value of $2,935, a current fair value of $2,772 and a deficiency of $163 as of June 30, 2023. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds. As of June 30, 2022, deficiencies of this nature exist in 13 donor-restricted endowment funds, which together had an original gift value of $9,240, a fair value of $8,803, for a deficiency of $437

Return Objectives and Risk Parameters
The School has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle of approximately five years, is to maximize the return against various market indexes across the investment portfolio as determined by the Investment Committee while minimizing risk. The goal of each investment manager over the investment horizon is to exceed the appropriate market index. The overall portfolio is intended to embody no greater risk than the risk of a blend of the indexes assigned to the managers.

Strategies Employed for Achieving Investment Objectives
To achieve its long-term rate of return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends).

(Dollars in thousands)

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Trustees of the School determines the method to be used to appropriate endowment funds for expenditure. In 2023 and 2022, the spending policy was to spend 5.00% of a rolling twelve-quarter average.

16. Museum

Museum revenues for the years ended June 30, 2023 and 2022, are described below:

	2023	2022
Service revenue	$ 792	$ 642
Investment income	1,851	1,698
Gifts and grants	745	650
Total museum revenues	$ 3,388	$ 2,990

Investment income shown above represents the museum's portion of the School's endowment return allocated for spending.

Collections

The majority of the School's collections resides in the Museum and consists of artifacts of historical significance, art objects and books that are held for educational, research and curatorial purposes. Each of the items are cataloged, preserved, and cared for and activities verifying their existence and assessing their condition are performed periodically. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or to support the direct care of existing collections. The School expended $762 and $618 for acquisitions during the years ended June 30, 2023 and 2022, respectively. The School sold collections in the amount of $5 and $0 during the years ended June 30, 2023 and 2022, respectively. The School did not use any proceeds from the sale of its collections to support the direct care of existing collections for the years ended June 30, 2023 and 2022.

(Dollars in thousands)

17. Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the School. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The School applies various methods to allocate costs among the program and support functions, the most significant of which is by the amount of building space utilized.

Operating expenses by functional and natural classification for the years ended June 30, 2023 and 2022, were as follows:

	Instruction and Academic Support	Administrative and Institutional Support	Auxiliary Services	Museum	2023 Total
Salaries and wages	$ 47,230	$ 30,167	$ 5,549	$ 5,170	$ 88,116
Benefits	12,131	8,044	1,518	1,509	23,202
Contracted services	4,757	14,726	917	1,426	21,826
Depreciation, amortization and interest	5,362	2,321	11,182	3,058	21,923
Utilities, plant and equipment	5,603	6,344	2,687	1,105	15,739
Supplies and general	2,534	1,435	5,904	214	10,087
Other operating expenses	1,588	1,268	139	137	3,132
Total operating expenses	$ 79,205	$ 64,305	$ 27,896	$ 12,619	$ 184,025

	Instruction and Academic Support	Administrative and Institutional Support	Auxiliary Services	Museum	2022 Total
Salaries and wages	$ 44,340	$ 28,529	$ 4,459	$ 4,999	$ 82,327
Benefits	11,548	5,735	1,259	1,491	20,033
Contracted services	4,326	13,408	810	1,227	19,771
Depreciation, amortization and interest	5,206	2,356	11,113	3,037	21,712
Utilities, plant and equipment	4,811	5,899	2,413	965	14,088
Supplies and general	2,116	1,453	4,822	232	8,623
Other operating expenses	2,551	947	267	115	3,880
Total operating expenses	$ 74,898	$ 58,327	$ 25,143	$ 12,066	$ 170,434

18. Retirement and Pension Plans

The School participates in the Teachers Insurance and Annuity Association (TIAA) for eligible faculty, administrative and staff employees. The School made contributions to the TIAA retirement plan which totaled approximately $5,118 and $4,583 for the years ended June 30, 2023 and 2022, respectively.

19. Related Party Transactions

Contributions made by non-compensated members of the Trustees totaled approximately $3,545 and $4,532 for the years ended June 30, 2023 and 2022, respectively. Outstanding contribution receivables from members of the Trustees total $2,766 and $3,498 at June 30, 2023 and 2022, respectively. There are no other unsecured or secured related party receivables at June 30, 2023 and 2022.

20. Department of Education Financial Responsibility

The School participates in student financial assistance programs (Title IV) administered by the United States Department of Education (DOE) for the payment of student tuition. Substantial portions of the School's revenue relating to student tuition are dependent upon the continued participation in the Title IV programs.

Institutions participating in Title IV programs are required to demonstrate financial responsibility. Financial responsibility is determined through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation. The School's composite score exceeded 1.5 in 2023 and 2022.

The DOE revised the regulations for financial responsibility effective July 1, 2019. The regulations required the School to provide additional disclosures to assist the DOE in measuring financial responsibility through the composite score of financial ratios.

(Dollars in thousands)

	Pre-Implementation	Post-Implementation - With Debt	Post-Implementation - Without Debt	Total
Property and equipment, net	$ 230,110	$ -	$ 36,490	$ 266,600
Right-of-use asset	2,067	-	3,110	5,177
Subtotal	$ 232,177	$ -	$ 39,600	$ 271,777
Construction in progress				12,862
Total				$ 284,640
Total property and equipment, net				$ 279,462

	Pre-Implementation	Post-Implementation - With Debt	Post-Implementation - Without Debt	Total
Bonds payable, net	$ 187,400	$ -	$ -	$ 187,400
Obligations under long-term agreements	3,531		-	3,531
Lease liability	2,966	-	2,395	5,361
Total	$ 193,897	$ -	$ 2,395	$ 196,292

21. Commitments and Contingencies

On May 14, 2021, the School secured a line of credit with TD Bank, N.A of $20,000. On June 16, 2023, the line of credit was amended to extend the maturity date to June 15, 2024. The School had no outstanding borrowings against the line of credit as of June 30, 2023 and 2022.

In conducting its activities from time to time the School is the subject of various claims and also has claims against others from time to time. In management's opinion, the ultimate resolution of such claims would not have a material adverse or favorable effect on the financial position of the School.

22. Subsequent Events

Management has evaluated the subsequent events for the period after June 30, 2023 through October 26, 2023, the date the consolidated financial statements were issued.