KPMG

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Financial Statements

May 31, 2017 and 2016

(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.:

We have audited the accompanying consolidated financial statements of Berklee College of Music, Inc. which comprise the consolidated statements of financial position as of May 31, 2017 and 2016, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Berklee College of Music, Inc. as of May 31, 2017 and 2016, and the changes in their net assets and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

September 27, 2017

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Financial Position

May 31, 2017 and 2016

Assets		2017	2016
Cash and cash equivalents	$	47,507,876	34,772,086
Short-term investments (note 3)		15,255,270	15,074,325
Accounts receivable, net (note 7)		417,789	433,646
Contributions receivable (note 8)		12,922,625	12,753,420
Other assets		9,678,225	6,996,813
Loans receivable, net (note 7)		3,883,849	4,301,145
Deposits with bond trustees (note 6)		3,765	—
Long-term investments (notes 3 and 4)		358,716,518	316,410,569
Property, improvements, and equipment, net (notes 5 and 6)		295,877,848	228,826,897
Total assets	$	744,263,765	619,568,901
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	24,986,685	24,016,129
Student deposits and deferred liabilities		31,926,313	32,448,080
Accrued pension liabilities (note 9)		54,161,014	65,984,846
Bonds and notes payable (note 6)		277,453,048	249,414,116
Refundable advances – U.S. government grants		3,277,685	3,152,079
Total liabilities		391,804,745	375,015,250
Net assets:			
Unrestricted		262,646,526	176,423,779
Temporarily restricted (note 11)		40,508,165	25,731,734
Permanently restricted (note 11)		49,304,329	42,398,138
Total net assets		352,459,020	244,553,651
Total liabilities and net assets	$	744,263,765	619,568,901

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statement of Activities

Year ended May 31, 2017

	Unrestricted	Temporarily restricted	Permanently restricted	2017 Total
Operating:				
Revenues:				
Student tuition and fees	$ 243,925,322	—	—	243,925,322
Less internally funded scholarship aid	(56,328,851)	—	—	(56,328,851)
Less externally funded scholarship aid	(5,386,202)	—	—	(5,386,202)
Net tuition and fees	182,210,269	—	—	182,210,269
Contributions	1,167,992	10,184,222	—	11,352,214
Grants and contracts	927,516	76,230	—	1,003,746
Investment return for operations (note 4)	13,474,704	2,475,318	—	15,950,022
Other income	4,291,164	—	—	4,291,164
Sales and service of auxiliary enterprises	61,229,540	—	—	61,229,540
Net assets released from restrictions	8,162,200	(8,162,200)	—	—
Total operating revenues	271,463,385	4,573,570	—	276,036,955
Expenses:				
Instruction	97,975,850	—	—	97,975,850
Academic support	17,431,249	—	—	17,431,249
Student and enrollment services	19,014,289	—	—	19,014,289
Institutional support and advancement	47,194,444	—	—	47,194,444
Auxiliary enterprises	31,983,218	—	—	31,983,218
Operation and maintenance of physical plant:				
Depreciation and amortization	15,195,991	—	—	15,195,991
Interest	10,724,757	—	—	10,724,757
Maintenance	20,460,015	—	—	20,460,015
Total operating expenses	259,979,813	—	—	259,979,813
Change in net assets from operating activities	11,483,572	4,573,570	—	16,057,142
Nonoperating:				
Effects of acquisition (note 13)	52,672,394	6,450,332	1,321,433	60,444,159
Investment return (note 3)	30,183,238	7,038,636	—	37,221,874
Investment return for operations (note 4)	(13,474,704)	(2,475,318)	—	(15,950,022)
Contributions for long-term items	65,400	298,198	5,584,758	5,948,356
Loss on extinguishment of debt (notes 6 and 13)	(8,220,966)	—	—	(8,220,966)
Net assets released from capital restriction	1,108,987	(1,108,987)	—	—
Pension obligation changes other than net periodic costs (note 9)	12,404,826	—	—	12,404,826
Change in net assets from nonoperating activities	74,739,175	10,202,861	6,906,191	91,848,227
Change in net assets	86,222,747	14,776,431	6,906,191	107,905,369
Net assets at beginning of year	176,423,779	25,731,734	42,398,138	244,553,651
Net assets at end of year	$ 262,646,526	40,508,165	49,304,329	352,459,020

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statement of Activities

Year ended May 31, 2016

	Unrestricted	Temporarily restricted	Permanently restricted	2016 Total
Operating:				
Revenues:				
Student tuition and fees	$ 199,237,951	—	—	199,237,951
Less internally funded scholarship aid	(37,900,977)	—	—	(37,900,977)
Less externally funded scholarship aid	(6,732,392)	—	—	(6,732,392)
Net tuition and fees	154,604,582	—	—	154,604,582
Contributions	761,209	4,955,691	—	5,716,900
Federal and state grants and contracts	926,399	—	—	926,399
Investment return for operations (note 4)	12,224,515	2,031,905	—	14,256,420
Other income	1,575,668	—	—	1,575,668
Sales and service of auxiliary enterprises	53,642,797	—	—	53,642,797
Net assets released from restrictions	10,760,049	(10,760,049)	—	—
Total operating revenues	234,495,219	(3,772,453)	—	230,722,766
Expenses:				
Instruction	87,157,441	—	—	87,157,441
Academic support	13,622,961	—	—	13,622,961
Student and enrollment services	15,974,357	—	—	15,974,357
Institutional support and advancement	37,996,207	—	—	37,996,207
Auxiliary enterprises	30,273,266	—	—	30,273,266
Operation and maintenance of physical plant:				
Depreciation and amortization	12,600,446	—	—	12,600,446
Interest	11,925,245	—	—	11,925,245
Maintenance	16,691,465	—	—	16,691,465
Total operating expenses	226,241,388	—	—	226,241,388
Change in net assets from operating activities	8,253,831	(3,772,453)	—	4,481,378
Nonoperating:				
Investment loss (note 3)	(2,937,766)	(307,717)	—	(3,245,483)
Investment loss for operations (note 4)	(12,224,515)	(2,031,905)	—	(14,256,420)
Contributions for long-term items	16,774	—	7,310,969	7,327,743
Pension obligation changes other than net periodic costs (note 9)	(2,807,810)	—	—	(2,807,810)
Change in net assets from nonoperating activities	(17,953,317)	(2,339,622)	7,310,969	(12,981,970)
Change in net assets	(9,699,486)	(6,112,075)	7,310,969	(8,500,592)
Net assets at beginning of year	186,123,265	31,843,809	35,087,169	253,054,243
Net assets at end of year	$ 176,423,779	25,731,734	42,398,138	244,553,651

See accompanying notes to consolidated financial statements.

BERKLEE COLLEGE OF MUSIC, INC.

Consolidated Statements of Cash Flows

Years ended May 31, 2017 and 2016

		2017	2016
Cash flows from operating activities:			
Change in net assets	$	107,905,369	(8,500,592)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation and amortization		15,195,991	12,269,018
Effects from acquisition		(60,444,159)	—
Realized and unrealized losses/(gains) on investments, net		(37,221,874)	3,245,483
Pension obligation changes other than net periodic pension costs		(12,404,826)	2,807,810
Loss on disposal of equipment		—	1,411
Loss on extinguishment of debt		8,220,966	—
Contributions for long-term investment		(6,799,632)	(5,290,205)
Change in operating assets		(2,160,248)	455,113
Change in operating liabilities		4,073,164	6,241,370
Net cash provided by operating activities		16,364,751	11,229,408
Cash flows from investing activities:			
Change in deposits with bond trustees		(3,765)	5,430,515
Purchase of property, plant, improvements, and equipment		(12,617,230)	(15,553,644)
Boston Conservatory cash at time of affiliation		3,308,341	—
Disbursements and repayment of student loans		612,239	709,070
Proceeds from sale and maturity of investments		50,357,014	79,060,959
Purchase of investments		(55,653,061)	(86,046,068)
Net cash used in investing activities		(13,996,462)	(16,399,168)
Cash flows from financing activities:			
Payments on bonds and notes payable		(178,264,796)	(6,700,000)
Proceeds from debt refinancing		182,938,090	—
Debt issuance costs		(1,231,030)	—
Drawdown on line of credit		26,784,425	—
Repayment on line of credit		(26,784,425)	—
Contributions for long-term investment		6,799,632	5,290,205
Increase in refundable advances – U.S. government grants		125,605	119,760
Net cash provided by (used in) financing activities		10,367,501	(1,290,035)
Net change in cash and cash equivalents		12,735,790	(6,459,795)
Cash and cash equivalents, beginning of year		34,772,086	41,231,881
Cash and cash equivalents, end of year	$	47,507,876	34,772,086
Supplemental data:			
Interest paid	$	12,391,019	11,974,249
Change in accounts payable attributable to capital acquisitions		(2,082,084)	2,184,078

See accompanying notes to consolidated financial statements.

(1) Background

Berklee College of Music, Inc. (the College) is a nonprofit co-educational institution of higher learning offering a bachelor and master of music degree 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 the education of career musicians, composers, arrangers, music educators, and other professionals in the world of modern music. The College also 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. In December 2015, the College entered into a merger agreement with The Boston Conservatory (the Conservatory), a nationally accredited performing arts conservatory offering Bachelor of Fine Arts, Bachelor of Music, and Master of Music degrees. Effective June 1, 2016, the Conservatory merged with and into the College, with the College as the surviving corporation and was treated as an acquisition for accounting purposes. The Conservatory now 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 and changes to net assets are classified as follows:

Permanently restricted net assets – Net assets subject to donor-imposed stipulations are maintained permanently by the College. Generally, the donors permit the College to use, for general or specific purposes, all or part of any income earned and any capital gains on related investments.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations to be met by actions of the College and/or the passage of time. Investment returns on donor-restricted endowment funds are classified as changes in temporarily restricted net assets and are generally available for appropriation to support operational needs in accordance with the College's endowment spending policy and any restrictions on use imposed by donors.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

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 unrestricted net assets. 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 in the period received. Promises to give that are expected to be collected after the consolidated statement of financial position date are reported as contribution revenue in temporarily restricted net assets. Promises to give that require the corpus to be maintained permanently are reported as contributions for long-term items in permanently restricted net assets. Contributions of land, buildings, or equipment are reported as unrestricted nonoperating support unless the donor places restrictions on their use.

(Continued)

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 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 effects of merger, the return on investments, contributions of capital assets, contributions to the endowment, loss on extinguishment of debt, and pension obligations.

Expenses associated with the operation and maintenance of plant assets, including depreciation and interest expense, are disclosed separately on the consolidated statement of activities. Note 12 presents the impact had these expenses been allocated, based on actual square footage utilized, to operating expenses for instruction, academic support, student and enrollment services, institutional support and advancement, and auxiliary enterprises. Expenses associated with fundraising activities were $4,430,373 and $3,036,549 in 2017 and 2016, respectively, and are included in institutional support and advancement on the statements of activities.

(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.

(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. Conditional promises to give are not included as support until the conditions are substantially met.

(f) Long-Term Investments

Investments are reported at estimated 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.

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 maximizes 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 estimated based upon the net asset value (NAV) per share or its equivalent as a practical expedient.

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.

(h) Property, Improvements, and Equipment

Property, improvements, 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 expense as incurred. Interest on debt obtained for construction purposes is capitalized during the construction phase.

(Continued)

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.

(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, 2017 and 2016.

(j) Student Deposits and Deferred Revenue

Student deposits along with advance payments for tuition, room and board, and fees related to the summer and fall semesters have been deferred and will be reported as unrestricted revenue in the year in which the revenue is earned.

(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) 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, 2017 but it is not significant to the consolidated financial statements. The College believes it has taken no significant uncertain tax positions.

(m) 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, 2017 and 2016 included in Institutional Support was a net gain of $15,911 and $26,709, respectively.

The foreign currency equivalents used to translate Euros into U.S. dollars are as follows:

	U.S. dollar to one euro	
	2017	**2016**
Revenues and expenses at the monthly average rate:		
The annual average rate for the fiscal year ended May 31	1.09:1	1.10:1
Assets, liabilities, and net assets at the current rate as of May 31	1.12:1	1.11:1

(n) 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 $150,000 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 $7,761,187 and $7,095,822 for the years ended May 31, 2017 and 2016, respectively. The estimated unpaid claims liability, included in accrued expenses at May 31, 2017 and 2016, amounted to $1,274,500.

(o) 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.

(p) Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

(3) Investments

The College's investments at fair value are summarized as follows at May 31:

	2017	**2016**
Money market funds	$ 45,013,340	31,069,015
U.S. equity funds	7,583,836	7,274,471
International equity funds	108,146,671	90,709,028
Alternative investments	213,227,941	202,432,380
Total	$ 373,971,788	331,484,894

Total return on long-term investments consisted of the following for the years ended May 31:

	2017	2016
Investment return:		
Unrealized gain/(loss)	$ 20,206,529	(26,246,739)
Realized gain	17,015,345	23,001,256
Total return on investments	$ 37,221,874	(3,245,483)

The following tables summarize the College's investments by major category in the fair value hierarchy as of May 31, 2017 and 2016, as well as related strategy, liquidity, and funding commitments:

	May 31, 2017		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Short-term investment strategies:					
Cash and cash equivalents	$ 20,060	20,060			
Mutual funds	15,235,210	15,235,210			
Long-term investment strategies:					
Investments at fair value:					
Cash and cash equivalents	29,758,070	29,758,070			
Traditional equity index funds	7,583,836	7,583,836			
Global (excluding U.S.) equities	50,958,204	50,958,204			
Investments at net asset value:					
Global (excluding U.S.) equities:					
Developed markets		43,731,206	Quarterly	30	None
Emerging markets		13,457,261	Quarterly	90	None
Hedged equity funds of funds:					
Multiple strategies		19,467,819	Various (1)	45–60	None
Private equity and venture capital funds		22,822,428	Illiquid (2)	N/A	4,255,588
Real assets:					
Commodities oil and energy		1,274,252	Illiquid	N/A	907,787
Private real estate		15,139,081	Illiquid (3)	N/A	4,405,981
Direct hedge equity/multiple strategies		87,922,632	Various (4)	90	None

(Continued)

	May 31, 2017		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Direct absolute return/multiple strategies	$	66,601,729	Various (5)	45–180	None
Total	$ 103,555,380	373,971,788			

(1) Funds with monthly redemption = $12,667,348, illiquid = $6,800,471

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

(3) Variety of benchmarks and limitations on withdrawals.

(4) Funds with semi-annual redemption = $16,442,406, annual redemption $44,708,654, illiquid $10,591,930, rolling 3 year 90 days notice $16,179,642

(5) Funds with annual redemption $66,580,128, illiquid $21,601

	May 31, 2016		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Short-term investment strategies:					
Mutual funds	$ 15,074,325	15,074,325			
Long-term investment strategies:					
Investments at fair value:					
Cash and cash equivalents	15,994,691	15,994,691			
Traditional equity index funds	7,274,472	7,274,472			
Global (excluding U.S.) equities	43,122,310	43,122,310			
Investments at net asset value:					
Global (excluding U.S.) equities:					
Developed markets		36,461,433	Quarterly	30	None
Emerging markets		11,125,284	Quarterly	90	None
Hedged equity funds of funds:					
Multiple strategies		17,763,481	Various (1)	45–60	None
Private equity and venture capital funds		25,327,957	Illiquid (2)	N/A	8,352,915
Real assets:					
Commodities oil and energy		1,596,228	Illiquid	N/A	555,870
Private real estate		12,579,245	Illiquid (3)	N/A	5,378,546
Direct hedge equity/multiple strategies		86,171,306	Various (4)	90	None

	May 31, 2016		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Direct absolute return/multiple strategies	$	58,994,162	Various (5)	45–180	None
Total	$ 81,465,798	331,484,894			

(1) Funds with monthly redemption = $11,481,696, annual redemption = $6,281,785

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

(3) Variety of benchmarks and limitations on withdrawals.

(4) Funds with semi-annual redemption = $13,804,261, annual redemption $42,849,976, illiquid $14,388,343, rolling 3 year 90 days notice $15,128,726

(5) Funds with annual redemption $58,971,996, illiquid $22,166

No investments at fair value are considered to be Level 2 or Level 3 investments in the fair value hierarchy at May 31, 2017 or 2016, respectively.

Alternative investments are redeemable with the fund at NAV under the original terms of the partnership agreement and/or subscription agreements and operations of underlying funds. All alternative investment fund redemptions require written notice prior to the redemption period. The long-term investments' fair values as of May 31, 2017 are classified below by redemption period:

	Investment fair values
Investments redemption period:	
Daily	$ 52,597,177
Monthly	63,625,551
Quarterly	57,188,467
Semi-annually	16,442,406
Annually	111,288,782
Locked up or illiquid	72,829,405
Total as of May 31, 2017	$ 373,971,788

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.

(4) Endowment

The College's endowment consists of approximately 230 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.

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 permanently restricted amount will remain intact. This perspective is aligned with the accounting standards definition that permanently 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 permanently restricted net assets (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 that is not classified as permanently restricted net assets is classified as temporarily 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.

(Continued)

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

State law permits the spending of gains on endowment funds over a stipulated period of time. State law allows the Board to appropriate all of the income and a specified percentage of the net appreciation as is prudent considering the College's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions. Under the College's current endowment spending policy, which is within the guidelines specified under state law, 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 $15,950,022 in 2017 and $14,256,420 in 2016. 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. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level will be classified as an increase in unrestricted net assets. Deficiencies of this nature that are reported as reductions in unrestricted net assets totaled $21,206 and $89,545 as of May 31, 2017 and 2016, respectively.

Endowment funds consisted of the following at May 31, 2017:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(21,206)	17,690,942	43,269,829	60,939,565
Board-designated endowment funds		297,776,953	—	—	297,776,953
Total endowed funds	$	297,755,747	17,690,942	43,269,829	358,716,518

Endowment funds consisted of the following at May 31, 2016:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowment funds	$	(89,545)	9,079,378	35,141,797	44,131,630
Board-designated endowment funds		272,278,939	—	—	272,278,939
Total endowed funds	$	272,189,394	9,079,378	35,141,797	316,410,569

Changes in endowment funds for the year ended May 31, 2017 are as follows:

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, June 1, 2016	$	272,189,394	9,079,378	35,141,797	316,410,569
Additions as a result of acquisition		8,360,313	4,055,464	1,321,182	13,736,959
Investment return:					
Net appreciation		30,183,238	7,038,636	—	37,221,874
Total investment return		30,183,238	7,038,636	—	37,221,874
Contributions		—	(7,218)	6,806,850	6,799,632
Appropriation of endowment assets for expenditure		(13,474,704)	(2,475,318)	—	(15,950,022)
Transfers from operations		497,506	—	—	497,506
Endowment funds, May 31, 2017	$	297,755,747	17,690,942	43,269,829	358,716,518

Changes in endowment funds for the year ended May 31, 2016 are as follows:

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment funds, June 1, 2015	$ 286,474,676	11,419,000	29,851,592	327,745,268
Investment return:				
Net depreciation	(2,937,766)	(307,717)	—	(3,245,483)
Total investment return	(2,937,766)	(307,717)	—	(3,245,483)
Contributions	—	—	5,290,205	5,290,205
Appropriation of endowment assets for expenditure	(12,224,515)	(2,031,905)	—	(14,256,420)
Transfers from operations	876,999	—	—	876,999
Endowment funds, May 31, 2016	$ 272,189,394	9,079,378	35,141,797	316,410,569

(5) Property, Improvements, and Equipment

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

	2017	2016	Estimated useful life
Land	$ 53,293,375	21,081,375	—
Buildings	186,041,567	151,401,567	40 years
Improvements	155,750,195	131,897,733	15–20 years
Furniture and equipment	50,256,401	43,513,218	3–10 years
Library books	3,265,501	2,947,770	10 years
Construction in progress	61,478	14,769,174	—
	448,668,517	365,610,837	
Less accumulated depreciation	(152,790,669)	(136,783,940)	
	$ 295,877,848	228,826,897	

Total depreciation expense was $15,158,762 and $12,305,973 in 2017 and 2016, respectively.

(6) Bonds and Notes Payable

Bonds and notes payable consisted of the following at May 31:

		2017	2016
(a) MDFA Revenue Bonds, Berklee College of Music Series 2011, dated September 22, 2011 (including unamortized premium of $4,407,161 and $4,588,421 in 2017 and 2016, respectively)	$	86,857,161	88,668,421
(b) MHEFA Revenue Bonds, Berklee College of Music Series 2007A, dated August 8, 2007 (including unamortized premium of $284,811 and $3,178,504 in 2017 and 2016, respectively)		10,389,811	151,523,504
(c) MHEFA Revenue Bonds, Berklee College of Music Series 2016, dated August 1, 2016 (including unamortized premium of $32,597,262 in 2017)		182,102,262	—
(d) MDFA Revenue Bonds, Berklee College of Music Series 2013, dated August 1, 2013		—	10,875,000
Total bonds payable		279,349,234	251,066,925
Deferred issuance cost on bonds		(1,896,186)	(1,652,809)
Bonds payable	$	277,453,048	249,414,116

(a) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2011

On September 22, 2011, the College issued $90,000,000 Revenue Bonds, Series 2011 (the Series 2011 bonds) from the Massachusetts Development Finance Agency (MDFA). The College used some of the proceeds from the Series 2011 bonds to finance and refinance the acquisition, design, and construction of several real estate projects located primarily on Massachusetts Avenue. The Series 2011 bonds bear interest at rates ranging from 2.00% to 5.00% and are due in varying installments of $141,900 to $4,358,725 until October 1, 2041.

(b) MHEFA Revenue Bonds, Berklee College of Music Issue, Series 2007A

On August 8, 2007, the College issued $173,510,000 Revenue Bonds, Series 2007A (the Series 2007A bonds) from the Massachusetts Health and Education Facilities Authority (MHEFA). The Series 2007A bonds bear interest at rates ranging from 3.88% to 5.00% and are due in varying installments of $271,000 to $8,393,493 until October 1, 2037.

(c) 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 ranging from 4.0% to 5.0% and have principal payments which began October 1, 2016 and terminate on October 1, 2046. The bonds were used to defease and/or refund all or portions of the previously issued Series 2007A bonds, Series 2013 bonds and the debt acquired as a result of the College's merger with the Conservatory, as well as to finance the cost of issuance. As a result of refinancing, the College recorded a loss on extinguishment of debt of $7,587,762.

(d) MDFA Revenue Bonds, Berklee College of Music Issue, Series 2013

On August 1, 2013, the College issued $15,000,000 Revenue Bonds, Series 2013 (the Series 2013 bonds) from the Massachusetts Development Finance Agency. The Series 2013 bonds bear interest at a fixed rate of 2.14% and are due in varying installments until August 1, 2023.

(e) Revolving Credit Facility

The College established a three-year revolving line of credit facility with JP Morgan Chase in the amount of $30,000,000 on June 3, 2013. Advances on this facility can be made as a Base Rate loan, a money market loan, or a LIBOR loan and interest will apply based on the commercial base rate, the money market rate in effect for the first day, and the adjusted LIBOR for the period, respectively. A nonusage facility fee of 0.10% per annum will apply.

On April 26, 2016, the College signed an amendment to the credit agreement originally issued on June 3, 2013. The amendment extended the termination date to April 26, 2017 from the termination date of June 3, 2016.

On April 24, 2017 the College signed a second amendment to the credit agreement decreasing the line of credit facility to $25,000,000 and extending the termination date to April 26, 2018. All other terms and conditions remained the same. There were no outstanding borrowings under this facility at May 31, 2017 or 2016.

Scheduled long-term maturities of existing indebtedness at May 31, 2017 in each of the next five years and in the aggregate thereafter are as follows:

	Amount
Year ending May 31:	
2018	$ 3,410,000
2019	3,545,000
2020	3,690,000
2021	3,845,000
2022	6,300,000
Thereafter	221,270,000
	242,060,000
Plus unamortized bond premium	37,289,234
	$ 279,349,234

(f) Interest Expense and Amortization Costs

Interest expense on bonds and notes payable was $10,724,757 and $11,925,425 in 2017 and 2016, respectively. Amortization of bond issue costs was not significant in either 2017 or 2016.

The College is required to maintain certain financial ratios associated with its bond agreements and is in compliance with these requirements at May 31, 2017 and 2016.

(7) Allowances for Uncollectible Accounts and Loans Receivable

Accounts receivable, arising from student tuition and fees, are presented net of an allowance for uncollectible accounts of $1,116,469 and $1,189,918 at May 31, 2017 and 2016, respectively.

Loans receivable, primarily from the federal Perkins loan program, are net of an allowance for uncollectible accounts of $978,743 and $1,144,320, at May 31, 2017 and 2016, respectively.

(8) Contributions Receivable

Contributions receivable consist of the following at May 31:

		2017	2016
Unconditional promises expected to be collected in:			
Less than one year	$	7,500,367	6,131,888
One year to five years		7,568,433	8,464,616
		15,068,800	14,596,504
Less allowance for uncollectible pledges		(1,506,880)	(1,459,650)
		13,561,920	13,136,854
Less present value discount		(639,295)	(383,434)
	$	12,922,625	12,753,420

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 0.52% to 3.05% in 2017 and 2016.

(9) Retirement Plans

The College offers a defined contribution plan to substantially all employees. This plan provides for investments through the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF), as well as Transamerica Retirement Services. 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 $3,956,901 and $3,573,551, respectively, for the years ended May 31, 2017 and 2016.

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. Guidance under GAAP requires the Pension Plan's

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funding deficit or surplus to be recognized in the sponsoring employer's statement of financial position and plan assets and benefit obligations to be measured as of the date of the College's fiscal year-end. 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:

		2017	2016
Service cost of the current period	$	5,666,644	5,844,719
Interest cost on the projected benefit obligation		3,861,967	4,152,638
Expected return on assets held in the plan		(6,343,882)	(6,215,406)
Recognition of net actuarial loss		4,465,291	3,462,747
Pension expense	$	7,650,020	7,244,698

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 net assets at May 31:

		2017	2016
Change in benefit obligation:			
Benefit obligation at beginning of year	$	159,003,869	152,338,129
Service cost		5,666,644	5,844,719
Interest cost		3,861,967	4,152,638
Actuarial loss		(3,986,898)	42,212
Benefits paid		(9,068,597)	(3,373,829)
Benefit obligation at end of year		155,476,985	159,003,869
Change in plan assets:			
Fair value of plan assets at beginning of year		94,922,173	91,326,135
Actual return on plan assets		10,296,519	(12,939)
Employer contributions		7,311,685	6,982,806
Benefits paid		(9,068,597)	(3,373,829)
Fair value of assets held in the plan		103,461,780	94,922,173
Pension liability at end of year	$	52,015,205	64,081,696

Pension expense was computed based on a weighted average discount rate of 3.55% for 2017 and 3.39% for 2016, expected long-term rate of return on assets of 7.00% for 2017 and 2016, and future personnel expense increases of 3.00% for 2017 and 2016. The discount rates that we used to measure service and interest cost during 2017 were 3.73% and 2.83%, respectively.

The discount rate used in determining the actuarial present value of the projected benefit obligation in 2017 and 2016 was 3.55% and 3.39%, respectively.

The benefits expected to be paid after May 31, 2017 are as follows:

Years ending May 31:		
2018	$	13,298,812
2019		11,975,577
2020		11,726,520
2021		11,403,570
2022		11,423,536
2023–2026		53,583,967

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

	Target allocation	Plan assets at May 31	
		2017	**2016**
Equity securities	55 %	35 %	34 %
Debt securities	15	10	13
Other	30	55	33

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. Equity and fixed income managers will be expected to achieve an annualized total rate of return over a three-to five-year period, which exceeds an appropriate market index rate of return by 1.50% and 0.75% points compounded annually, net of costs and fees, respectively.

Other changes in pension liability recognized in unrestricted net assets were as follows:

	Fiscal years ended May 31,	
	2017	**2016**
Net (gain)/loss	$ (12,404,826)	2,807,810

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.

The value of the Pension Plan's assets by asset class are as follows at May 31, 2017:

	May 31, 2017		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Investments at fair value:					
Cash and fixed income	$ 9,646,513	9,646,513			
International equities	7,062,856	7,062,856			
Domestic equities	8,630,335	8,630,335			
Investments at net asset value:					
Domestic equities		31,356,453	Quarterly/ annually	30–90 days	None
International equities		38,595,846	Quarterly/ annually	30–180 days	None
Hedge funds		5,195,166	Illiquid	N/A	1,879,705
Real assets		2,974,611	Illiquid	N/A	2,705,991
	$ 25,339,704	103,461,780			

The value of the Pension Plan's assets by asset class are as follows at May 31, 2016:

	May 31, 2016		Redemption or	Days'	Related unfunded
	Level 1	Total	liquidation	notice	commitment
Investments at fair value:					
Cash and fixed income	$ 12,419,155	12,419,155			
International equities	17,730,342	17,730,342			
Domestic equities	6,244,519	6,244,519			
Investments at net asset value:					
Domestic equities		16,640,492	Quarterly/ annually	30–90 days	None
International equities		33,094,881	Quarterly/ annually	30–180 days	None
Hedge funds		5,611,136	Illiquid	N/A	1,994,523
Real assets		3,181,648	Illiquid	N/A	3,191,301
	$ 36,394,016	94,922,173			

No investments at fair value are considered to be Level 2 or Level 3 investments in the fair value hierarchy at May 31, 2017 and 2016, respectively.

(10) Lease Commitments

The College leases space in various buildings for its operations. The following is a schedule of future minimum lease payments under operating leases as of May 31:

		Amount
Fiscal year:		
2018	$	4,417,004
2019		3,078,493
2020		1,949,561
2021		896,453
2022		627,688
Thereafter		1,953,321

Rental expense was $5,925,370 in 2017 and $4,722,405 in 2016.

The College owns several buildings in which there are commercial tenants. The following is a schedule of future minimum rental income under operating leases as of May 31:

		Amount
Fiscal year:		
2018	$	1,114,429
2019		1,053,008
2020		893,541
2021		818,700
2022		765,591
Thereafter		1,146,898

Rental income was $1,679,530 in 2017 and $1,406,708 in 2016.

(11) Restricted Net Assets

Temporarily restricted net assets consist of the following at May 31:

		2017	2016
Unspent gifts:			
Instruction	$	2,881,407	2,021,277
Institutional support		1,167,962	1,343,725
Student aid		7,811,665	3,757,499
Facilities		724,058	280,000
Capital campaign programs		3,488,092	3,779,227
		16,073,184	11,181,728
Unappropriated gains from permanently restricted net assets		17,690,942	9,079,378
Outstanding pledges		6,744,039	5,470,628
	$	40,508,165	25,731,734

The College classifies unspent gains from permanently restricted funds as temporarily restricted 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 unrestricted revenues.

Permanently restricted net assets consist of the following at May 31:

		2017	2016
Student aid	$	30,226,011	24,513,197
Instruction		8,796,322	7,363,822
Institutional support		4,247,746	3,264,778
Outstanding pledges		6,034,250	7,256,341
	$	49,304,329	42,398,138

(12) Functional Expenses

The following summary presents the effect on functional expenses had the direct and indirect cost components been allocated to the functional expenses for the years ended May 31, 2017 and 2016:

	Fiscal year ended May 31, 2017				
		Indirect costs			
	Direct costs	Maintenance	Depreciation and amortization	Interest expense	Total expenses
Expenses:					
Education and general:					
Instruction	$ 97,975,850	10,167,099	7,551,273	5,258,469	120,952,691
Academic support	17,431,249	416,800	309,564	215,571	18,373,184
Student and enrollment services	19,014,289	266,561	197,979	137,867	19,616,696
Institutional support and advancement	47,194,444	3,708,246	2,754,176	1,917,921	55,574,787
Auxiliary enterprises	31,983,218	5,901,309	4,382,999	3,194,929	45,462,455
Total operating expenses	$ 213,599,050	20,460,015	15,195,991	10,724,757	259,979,813

	Fiscal year ended May 31, 2016				
		Indirect costs			
	Direct costs	Maintenance	Depreciation and amortization	Interest expense	Total expenses
Expenses:					
Education and general:					
Instruction	$ 87,157,441	9,589,028	4,898,827	6,037,333	107,682,629
Academic support	13,622,961	468,397	239,294	294,907	14,625,559
Student and enrollment services	15,974,357	277,154	141,592	174,498	16,567,601
Institutional support and advancement	37,996,207	3,531,673	1,804,255	2,223,571	45,555,706
Auxiliary enterprises	30,273,266	2,825,213	5,516,478	3,194,936	41,809,893
Total operating expenses	$ 185,024,232	16,691,465	12,600,446	11,925,245	226,241,388

(13) The Boston Conservatory

The transaction with The Boston Conservatory discussed in note 1 has been accounted for under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) guidance for not-for-profit entities regarding mergers and acquisitions, which defines a combination of one of more not-for-profit activities as either a merger or an acquisition.

The following table summarizes the value assigned to the Boston Conservatory net assets recognized as of the acquisition date, June 1, 2016.

Assets:		
Current assets	$	5,759,039
Long term investments		13,769,606
Property, plant and equipment		69,952,350
Other assets		229,106
Total assets		89,710,101
Liabilities:		
Current liabilities		3,114,721
Other liabilities		26,151,221
Total liabilities		29,265,942
Net assets recognized	$	60,444,159

Subsequent to the acquisition, the College extinguished the Boston Conservatory debt of $26,151,221 and recognized a loss on extinguishment of $633,204.

(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, 2017 and through September 27, 2017 the date on which the consolidated financial statements were issued. In August 2017, Berklee sold a property for $4.5 million, which resulted in gain of $2.8 million. In late August, Berklee finalized a 10 year lease agreement on a property in New York City for approximately $10 million.