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Fiscal Year 2024 Financial Statements Summary Report

In accordance with "*An Act to Support Improved Financial Stability in Higher Education*" Massachusetts General Law Chapter 69, Section 31B (f), this supplement to the audited financial statements analyzes the Fiscal Year 2024 ("FY24") financial position and activities of Emerson College (the "College") for the year ended June 30, 2024. These financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") which follow the accrual basis of accounting. Fluctuations discussed below compare FY24 results to the GAAP-based financial statements from Fiscal Year 2023 ("FY23").

FY24 Summary

Highlights from financial statements:

- The College maintains strong financial assets and liquidity resources, totaling approximately $172M comprised primarily of cash.
- Land, buildings and equipment, net at cost, amount to $727M, with associated debt on the buildings of $494M.
- Investments value increased by $24M in FY24, from $241M to $265M, driven by favorable market conditions.
- Tuition and room and board revenue continue to account for approximately 90% of total net operating revenues.
- Scholarship aid and grants to students increased from $71M to $74M, an approximate 4% increase.
- Operating income decreased by approximately $15.5M, primarily due to increased compensation and fringe benefits costs (filling of vacant positions, union contract negotiations, planned salary increases and rising health insurance costs), along with a rise in supplies, services and other general costs. This decline was partially offset by increases in net tuition, room and board, and other investment income.

Statement of Financial Position

The College's statement of financial position (balance sheet) and specifically net assets (total assets minus total liabilities) represent the overall wealth of the institution.

- Cash and short-term investments decreased by $4.7M due to delayed cash collections related to timing of fall semester billing, which occurred later than in the previous year.
- Investments increased by $24M, reflecting a 13.5% endowment return, net of a $9.2M endowment draw to support operations.
- Land, buildings and equipment, net, decreased by $6.2M due to $21.0M of depreciation, offset by $13.5M of net additions and disposals.
- Bonds payable, net, decreased by $12.7M due to $11M of principal payments and $1.7M in amortization of bond issuance costs and premiums.
- Student, contributions, and other receivables, net, increased by $6.0M due to the timing of fall semester billing, and the related timing of drawdown of federal funds disbursed to students. The timing of fall semester billing is also highlighted by the $6.4M decrease in student deposits and deferred revenues.

Statement of Activities

The statement of activities is a report on the College's fiscal year profitability resulting from the operation of its educational mission as well as non-operating activities such as reinvestment of endowment gains, gain on sale of land, buildings and equipment, revenue from royalties, and other sources.

- Tuition and fees, net, increased by $1.6M, or 0.9%. Gross undergraduate tuition increased by $10.0M, along with smaller increases from fees and the Netherlands and Los Angeles tuition. This was offset by a decrease in graduate tuition of $6.0M. Undergraduate tuition increases were attributed to a 4% tuition rate increase approved by the Board of Trustees, coupled with a slight increase in enrollment. In contrast, graduate enrollment declined in FY24 in comparison to FY23. Offsetting the gross tuition increase was a $3.2M increase in scholarship aid and grants to students, an approximate 4.4% increase in aid, year over year.

- Other investment income of $7.5M is primarily due to favorable returns on short- term investments.
- Total expenses increased by $20.5 million from FY23. Notable increases by natural classification include:
    - Compensation and fringe benefits increased by $14.9 million due to the filling of vacant positions, union contract negotiations, planned salary increases, and rising health insurance costs.
    - Supplies, services, and other general costs saw an increase of $6.1M. Notable increases were dining hall food service costs, consulting expenditures for strategic planning, public relations, marketing, recruiting, as well as an increase in information technology costs, custodial services and outsourced security.
- The College reported a net reinvested investment gain of $23.2M, which reflects market gains of $32.4M, reduced by $9.2M of investment income (draw from the endowment) available for operations.

Statement of Cash Flows

The statement of cash flows reports the cash generated and used by the College during the fiscal year. Cash inflows/outflows are reported as one of three activities: Operating (amounts generated/used as a function of the College staying in business), Investing (amounts generated/used through investment activity, including fixed asset purchases and sales), and Financing (amounts generated/used as part of financial transactions such as debt borrowings, repayments, and refinancing).

Cash and short-term investments decreased by $4.7M in FY24 and is attributable to delayed cash collections related to timing of fall semester billing, as previously noted, combined with an increase in operating expenses, offset by favorable investment returns.

Financial Statement Footnotes

The footnotes to the financial statements also play an integral part in explaining the financial condition of the College. The footnotes contain language on accounting policies as well as other useful information at a more granular level than the face statements allow.

Footnote 3 discusses the liquidity and availability of financial resources. In addition to the $172.2M of financial assets and liquidity resources available for current use, as previously noted, the College has $188.2M of endowment assets without donor restriction. Although the College does not intend to spend from these endowment resources, these resources could be accessed in an emergency. It provides comfort to rating agencies such as S&P and Moody's, as well as accreditation agencies such as the New England Commission of Higher Education ("NECHE") and others that Emerson College will be able to meet its financial obligations.

As shown in Footnote 7, the College's endowment value increased by $24.0M to $264.7M due to market gains of $32.4M and donor contributions of $0.8M, offset by the draw from the endowment to support operations of $9.2M.

Footnote 13 shows the functional and natural classification of expenses for the College. The costs of operations and maintenance of plant, depreciation, and interest expense are allocated across each functional area based on percentage of square footage to reflect the full cost of those activities.