



Financial Statement Summary FY 2024

Montserrat College of Art's (the College) financial statements for fiscal year 2024 are a reflection of enrollment pressures as a result of pandemic related reductions and the declining demographic. The FY24 financial statements reflect an operating loss of \$2.6 million offset by non-operating income of \$793,000 resulting in a loss of just under \$1.9 million.

The following discussion and analysis represent additional commentary and data related to the College's financial performance for the fiscal year ended June 30, 2024.

Statement of Financial Position (Total Assets, Liabilities and Net Assets)

The College's total assets on June 30, 2024, were \$19.9 million, which was \$1.5 million or 6.6% less than the previous fiscal year end. This decrease is due to the use of \$1.7 million of cash and unrestricted investments to bridge the enrollment and revenue gap experienced in FY24

Total liabilities amounted to \$12.2 million dollars on June 30, 2024, an increase of just over \$400,000 or 3.5% higher than the prior year. This increase is by multiple factors including, an increase of \$145,000 in unearned revenue due to higher enrollments in summer programs, an increase of \$203,000 in accounts payable due to timing, and an increase of \$298,000 in lease liabilities due to the renegotiation of a leased housing unit off set by a decrease of approximately \$223,000 in long term debt principal payments.

The resulting total net assets, the equivalent of the College's net worth, totaled \$7.7 million on June 30, 2024, compared to \$9.5 million in prior year. The decrease is due primarily to the enrollment downturn driving the use of cash reserves.

Statement of Activities

Operating Results

The College's total operating revenues decreased by \$1.7 million over FY23. Net tuition, fees and housing decreased 10.1% or \$888,000 over the prior year primarily due to enrollment downward pressure. The enrollment downturn was brought on by the recruitment restrictions of the pandemic. Montserrat's name recognition is generated by face-to-face interaction with students through classroom and college fair visits. During the pandemic the College was unable to reach these students as easily which greatly impacted the recruitment and ultimately the size of the incoming classes.

The College also experienced a significant decline in contributed revenue of \$841,000 or 54.3%. This decline was the direct result of a leadership change at the College. Efforts that would generally have been focused on donor relations were instead engaged in a Presidential search activities.

As mentioned above, the global pandemic has placed pressure on the College's enrollment. The inability for the admissions team to travel and perform in person recruitment activities has created a unique challenge for recruiting an incoming class resulting in a smaller class than anticipated. As in FY23, cost containment measures remained in place for FY24 resulting in almost flat operating expenses over the previous year. The \$165,000 increase in operating expenses was primarily driven by expenses from the presidential search.

The College experienced a decrease in net assets from operating activities (operating revenues in excess of operating expenses) of \$2.6 million (\$1.9 million more than FY23), which is a direct result of the loss of earned and contributed revenue discussed above.

Non-Operating Results

The College's non-operating income from FY23 to FY24 remained relatively flat. The lease income was derived from a partnership with Endicott College to lease excess capacity student beds in Montserrat housing. This increase is the College's investment income derived from the endowed funds and driven by positive market results. In FY23 the College's Board of Trustees Investment Committee adjusted the investment strategy to help mitigate future losses during such a volatile time.

Looking Ahead

The College's FY24 results are driven by a downturn in operating revenue. With a new president appointed, it is expected that contributed revenue should return to levels more consistent with FY23 and before. Enrollments continue to be a challenge with many different factors driving the downturn. In the fall of 2024, the Federal Office of Financial Aid tried to launch a new easier and simplified FAFSA for students to use in applying for aid. This roll out was delayed 6+ months resulting in late financial aid packaging for students. This delay caused many students to opt for delaying their enrollment in college or to pursue a different avenue to the workforce all together.

Couple this decision with the downturn of the college age demographic and the lasting impacts from the lack of marketing during the global pandemic, enrollments continued to fall for FY25. Changes in recruitment strategy and other targeted marketing investments, the enrollment for the fall of 2025 is looking promising.

Because of the smaller incoming classes, the College has experienced excess capacity in housing for 3+ years. The decision was made to sell some of the smaller “stick built” resident houses to reduce the burden on operating expenses and to also pay down existing bond debt, ultimately resulting in increased cash flow. Three properties have been earmarked to be marketed in 2025, with the first house already sold in March.

The College is working on rightsizing expenses to match the smaller student body. Administrative and academic spaces are being consolidated, and open positions are being recrafted or eliminated before any searches are conducted. It is expected that FY25 will experience another operating loss but the multi-year budget shows that the loss starts to improve in FY26 and eventually turns to an operating surplus in FY28.