

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

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Report of Independent Auditor

To the Board of Trustees of
Ringling College of Art and Design
Sarasota, Florida

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying statements of financial position of Ringling College of Art and Design (the "College") as of May 31, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 2022 and 2021, 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 audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 generally accepted auditing standards and *Government Auditing Standards* 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and Chapter 10.650, Rules of the Florida Auditor General, and the financial responsibility supplemental schedule are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2022, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Orlando, Florida
September 26, 2022

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 18,378,968	\$ 12,673,038
Short-term investments	1,723,848	1,151,630
Accounts receivable - students, net	36,444	119,070
Contributions receivable, net	1,095,630	1,244,466
Other receivables, no allowance	125,694	198,346
Prepaid expenses and other assets	<u>4,172,576</u>	<u>2,471,826</u>
Total Current Assets	<u>25,533,160</u>	<u>17,858,376</u>
<u>Non-current assets</u>		
Cash and cash equivalents restricted by donors	1,189,575	113,801
Long-term investments	1,664,293	1,916,294
Long-term contributions receivable, net	12,875,564	14,275,398
Contributions receivable from remainder trusts	-	218,463
Cash reserve for project fund	14,404,941	23,515,728
Investment in property	1,700,000	1,700,000
Other non-current assets	<u>6,150,741</u>	<u>6,579,254</u>
Total Non-Current Assets	<u>37,985,114</u>	<u>48,318,938</u>
<u>Endowment</u>		
Cash and cash equivalents restricted for endowment	67,835	49,694
Contributions receivable restricted for endowment, net	2,242,327	2,541,481
Contributions receivable from remainder trusts, net	287,762	366,035
Other non-current assets	42,520	42,520
Long-term investments	<u>61,591,596</u>	<u>63,932,616</u>
Total Endowment Assets	<u>64,232,040</u>	<u>66,932,346</u>
<u>Property and equipment</u>		
at cost less accumulated depreciation	<u>273,847,704</u>	<u>263,928,980</u>
TOTAL ASSETS	<u>\$ 401,598,018</u>	<u>\$ 397,038,640</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2022 AND 2021

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
<u>Current liabilities</u>		
Accounts payable	\$ 4,328,255	\$ 5,070,092
Accrued salaries and wages	5,417,013	5,523,840
Other accrued expenses	2,460,448	2,497,937
Current portion of long-term debt	3,226,912	3,123,062
Student deposits	720,517	576,169
Deferred revenue	1,491,874	801,911
Amounts held in custody for others	20,501	14,950
	<u>17,665,520</u>	<u>17,607,961</u>
Total Current Liabilities		
<u>Long-term liabilities</u>		
Long-term debt, net	161,061,983	165,119,932
Annuity payable	1,024,982	1,058,351
	<u>162,086,965</u>	<u>166,178,283</u>
Total Long-Term Liabilities		
Total Liabilities	<u>179,752,485</u>	<u>183,786,244</u>
<u>Net assets</u>		
Without donor restrictions	155,706,629	144,756,928
With donor restrictions	66,138,904	68,495,468
	<u>221,845,533</u>	<u>213,252,396</u>
Total Net Assets		
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 401,598,018</u>	 <u>\$ 397,038,640</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	
<u>Operating revenues, gains and other support</u>			
Net tuition and fees	\$ 61,570,725	\$ -	\$ 61,570,725
Government grants and contracts	3,951,852	-	3,951,852
Private gifts and grants	3,811,538	8,141,765	11,953,303
Sales and services of continuing education	914,273	-	914,273
Sales and services of auxiliary enterprises	16,652,786	-	16,652,786
Investment return, net	(6,564)	(80,750)	(87,314)
Endowment distribution designated for operations	2,539,775	20,350	2,560,125
Other revenue	850,502	-	850,502
Total Operating Revenues and Gains	<u>90,284,887</u>	<u>8,081,365</u>	<u>98,366,252</u>
Net Assets Released from Restrictions	8,706,058	(8,706,058)	-
Total Operating Revenues, Gains and Other Support	<u>98,990,945</u>	<u>(624,693)</u>	<u>98,366,252</u>
<u>Operating expenses and losses</u>			
Education and general:			
Instruction	29,509,922	-	29,509,922
Academic support	17,524,726	-	17,524,726
Student services	8,287,287	-	8,287,287
Scholarships and stipends	1,914,012	-	1,914,012
Institutional support	13,818,080	-	13,818,080
Total Education and General	<u>71,054,027</u>	<u>-</u>	<u>71,054,027</u>
Auxiliary enterprises	15,824,820	-	15,824,820
Total Operating Expenses and Losses	<u>86,878,847</u>	<u>-</u>	<u>86,878,847</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>12,112,098</u>	<u>(624,693)</u>	<u>11,487,405</u>
<u>Nonoperating activities</u>			
Private gifts	498,886	1,403,450	1,902,336
Investment return, net	(801,628)	(1,218,347)	(2,019,975)
Endowment distribution designated for operations	(2,539,775)	(20,350)	(2,560,125)
Unrealized principal loss of true endowment	-	(69,366)	(69,366)
Change in value of split interest agreements	-	(147,138)	(147,138)
Change in donor designation	9,310	(9,310)	-
Net assets released from restrictions	1,670,810	(1,670,810)	-
Decrease in Net Assets from Nonoperating Activities	<u>(1,162,397)</u>	<u>(1,731,871)</u>	<u>(2,894,268)</u>
Total Change in Net Assets	10,949,701	(2,356,564)	8,593,137
Net Assets at Beginning of Year	<u>144,756,928</u>	<u>68,495,468</u>	<u>213,252,396</u>
NET ASSETS AT END OF YEAR	<u>\$ 155,706,629</u>	<u>\$ 66,138,904</u>	<u>\$ 221,845,533</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
<u>Operating revenues, gains and other support</u>			
Net tuition and fees	\$ 58,261,918	\$ -	\$ 58,261,918
Government grants and contracts	3,176,707	-	3,176,707
Private gifts and grants	2,852,415	8,981,093	11,833,508
Sales and services of continuing education	640,497	-	640,497
Sales and services of auxiliary enterprises	10,391,914	-	10,391,914
Investment return, net	26,345	-	26,345
Endowment distribution designated for operations	3,095,049	18,275	3,113,324
Other revenue	516,964	-	516,964
Total Operating Revenues and Gains	78,961,809	8,999,368	87,961,177
Net Assets Released from Restrictions	13,028,007	(13,028,007)	-
Total Operating Revenues, Gains and Other Support	91,989,816	(4,028,639)	87,961,177
 <u>Operating expenses and losses</u>			
Education and general:			
Instruction	29,177,116	-	29,177,116
Academic support	17,559,263	-	17,559,263
Student services	7,080,822	-	7,080,822
Scholarships and stipends	1,511,061	-	1,511,061
Institutional support	12,529,416	-	12,529,416
Total Education and General	67,857,678	-	67,857,678
Auxiliary enterprises	14,782,115	-	14,782,115
Total Operating Expenses and Losses	82,639,793	-	82,639,793
Increase (Decrease) in Net Assets from Operating Activities	9,350,023	(4,028,639)	5,321,384
 <u>Nonoperating activities</u>			
Private gifts	7,000	933,241	940,241
Investment return, net	3,805,103	7,168,837	10,973,940
Endowment distribution designated for operations	(3,095,049)	(18,275)	(3,113,324)
Unrealized principal gain of true endowment	-	64,463	64,463
Change in value of split interest agreements	-	110,136	110,136
Change in donor designation	(14,510)	14,510	-
Change in value of gifted artwork	(500)	-	(500)
Net assets released from restrictions	1,356,608	(1,356,608)	-
Increase in Net Assets from Nonoperating Activities	2,058,652	6,916,304	8,974,956
Total Change in Net Assets	11,408,675	2,887,665	14,296,340
Net Assets at Beginning of Year	133,348,253	65,607,803	198,956,056
NET ASSETS AT END OF YEAR	\$ 144,756,928	\$ 68,495,468	\$ 213,252,396

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash flows from operating activities</u>		
Increase in net assets	\$ 8,593,137	\$ 14,296,340
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	17,223,126	16,754,490
Bond premium amortization	(917,597)	(935,477)
Loss on disposal of property and equipment	18,908	414,839
In-kind contributions of property and equipment	(399,190)	(406,945)
Realized and unrealized losses (gains) on investments	3,473,210	(10,094,813)
Increase in current assets excluding cash and investments	(1,397,495)	(82,088)
Decrease in long-term contributions receivable	1,995,724	947,141
(Increase) decrease in other non-current assets	(136,930)	589,456
Increase in current liabilities excluding debt	1,076,968	470,820
Increase in other long-term liabilities	53,192	51,430
Contributions received restricted for -		
Endowment	(1,624,152)	(2,027,284)
Property and equipment	(4,834,988)	-
Net cash provided by operating activities	<u>23,123,913</u>	<u>19,977,909</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	66,926,297	5,970,301
Purchase of investments	(68,378,704)	(6,628,973)
Proceeds from sale of property and equipment	12,000	-
Purchase of property and equipment	(27,330,525)	(22,799,771)
Net cash used by investing activities	<u>(28,770,932)</u>	<u>(23,458,443)</u>
<u>Cash flows from financing activities</u>		
Contributions received restricted for -		
Endowment	1,624,152	2,027,284
Property and equipment	4,834,988	-
Principal repayments on debt	(3,123,063)	(8,829,170)
Net cash provided (used) by financing activities	<u>3,336,077</u>	<u>(6,801,886)</u>
Net decrease in cash	(2,310,942)	(10,282,420)
Cash - Beginning of year	36,352,261	46,634,681
CASH - END OF YEAR	<u>\$ 34,041,319</u>	<u>\$ 36,352,261</u>
<u>RECONCILIATION OF CASH</u>		
Cash and cash equivalents	\$ 18,378,968	\$ 12,673,038
Cash and cash equivalents restricted by donors	1,189,575	113,801
Cash reserve for project fund	14,404,941	23,515,728
Cash and cash equivalents restricted for endowment	67,835	49,694
CASH - END OF YEAR	<u>\$ 34,041,319</u>	<u>\$ 36,352,261</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 6,723,328</u>	<u>\$ 6,880,620</u>
Non-cash in-kind contributions of capital assets	<u>\$ 399,190</u>	<u>\$ 406,945</u>
Non-cash contributions of works of art	<u>\$ 73,100</u>	<u>\$ 7,000</u>
Non-cash capital assets in accounts payable	<u>\$ 2,086,154</u>	<u>\$ 3,209,413</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Ringling College of Art and Design's (the College) primary mission is to provide a professional education in the visual arts. Revenues of the College are generated primarily from tuition, fees, and other sales and services to its students and contributions from the general public. Founded in 1931, it is a private, non-profit, independent, four-year college located in Sarasota, Florida, offering degrees in business of art and design, computer animation, creative writing, entertainment design, film, fine arts, game art, graphic design, illustration, motion design, photography and imaging, virtual reality development, and visual studies. The College enrolls over 1,600 students from the United States and 58 countries worldwide, with thirty percent from Florida. The College provides lifelong learning classes through its School of Continuing Studies, which includes the Englewood Art Center and the Osher Lifelong Learning Institute (OLLI).

Basis of Presentation

The financial statements of the College have been prepared on the accrual basis. These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with financial accounting standards adopted by the Financial Accounting Standards Board (FASB). This has been done by classification of fund transactions and balances into two categories for net assets: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenditures are reported in the without donor restrictions class of net assets, including expenditures funded by restricted contributions. Expenditures funded by restricted contributions are reported in the without donor restrictions net asset class because the use of restricted contributions in accordance with donors' stipulations results in the release of such restrictions.

Net assets with donor restrictions are limited as to use by donor-imposed stipulations that may expire with the passage of time or that may be satisfied by action of the College. Net assets with donor restrictions are designated by donors for specific purposes, and include unconditional contributions receivable, split-interest agreements, interests in trusts held by others, and accumulated appreciation on donor-restricted endowments which have not been appropriated by the Board of Trustees (the Board) for distribution. Some net assets with donor restrictions are required by donors to be held in perpetuity. The donors of net assets to be held in perpetuity permit the College to use a portion of the income earned on the related investments for specified purposes.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction is recognized in the period in which the restriction expires and at that time the related resources are reclassified to without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The College follows the policy of reporting donor-imposed restricted contributions and endowment income whose restrictions are met in the same period as received as without donor restrictions. Donor restrictions on long-lived assets or cash to construct or acquire long-lived assets are considered to have expired when the assets are placed in service.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and Nonoperating Activities

The accompanying statements of activities distinguish between operating and nonoperating activities. Operating revenues consist of all the activities of the College, except for certain items specifically considered to be of a nonoperating nature. Nonoperating activities include contributions for endowment, contributions and other activity related to annuity and unitrust agreements, contributions of artwork, endowment income and gains and losses, net of amounts distributed to support operations in accordance with the spending policy, and certain unusual or non-recurring items.

Revenue Recognition

The College's revenue recognition policies include the recording of student tuition and fees as revenue in the fiscal year that the related academic services are rendered. Tuition and fees received in advance of services to be rendered are recorded as unearned income. Net tuition and fees reflects scholarship allowances reducing tuition and fees of \$21,838,597 and \$19,576,691 at May 31, 2022 and 2021, respectively. In addition, students who officially withdraw from all courses during the first eight weeks of the semester will receive a partial refund in accordance with the College's refund policy. Historically, refunds of tuition have been approximately 0.35% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Auxiliary enterprises furnish services primarily to students and are comprised predominantly of housing accommodations in residence halls, apartments, and single-family homes as well as meal plans. Income from auxiliary enterprises is recorded as revenue in the fiscal year that the services are provided. Payments for tuition, fees, and auxiliary enterprises are due approximately one month prior to the start of the academic term.

Cash and Cash Equivalents

The College considers all highly liquid instruments held by banks with a maturity of three months or less to be cash equivalents. Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions for long-term purposes are not considered cash and cash equivalents.

Accounts Receivable – Students

Accounts receivable - students consists of tuition earned but not yet received. The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. It is the College's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The allowance for doubtful accounts was \$19,077 and \$40,939 at May 31, 2022 and 2021, respectively.

Debt Issuance Costs

Debt issuance costs are recognized over the lives of the related debt issues on a straight-line basis and are presented as a direct deduction from the related debt liability charged to interest expense. Accumulated amortization at May 31, 2022 and 2021, was \$553,232 and \$466,671, respectively.

Property and Equipment

Property and equipment is recorded at cost at the date of acquisition or, if acquired by gift, at the estimated fair value as of the date of the gift. Depreciation is calculated using the straight-line method over the useful life of the respective assets. The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend its estimable useful life is not capitalized.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

Useful lives for the accumulated depreciation calculation by category of assets are as follows:

Land improvements	5-50 years
Buildings and improvements	10-40 years
Furniture, fixtures, vehicles, and equipment	5-10 years
Library books	10 years
Computer equipment	3-20 years

Collections

The College's policy is to capitalize donated works of art at fair value and purchased works of art at cost if not preserved and held for public exhibition or if intended to be sold without proceeds used for purchases of works of art. Of the \$6,193,261 and \$6,621,774 presented in other non-current assets on the statements of financial position, \$5,297,908 and \$5,129,808 as of May 31, 2022 and 2021, respectively, are donated works of art which are being held with the intent of resale and do not meet the definition of a collection.

The College's collections include works of art that are maintained in the College's galleries and library and loaned to on-campus departments and local entities. These collections are protected and preserved for public exhibition, education and research. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed periodically. The collections, which were acquired through purchases and contributions since the College's inception, are not recognized as assets in the 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 the items are restricted by donors.

Endowment

Endowment consists of funds functioning as endowment and true endowment funds. Funds functioning as endowment are Board designated funds whose income is not restricted by donors. It is the College's policy to unitize endowment fund investments. All endowment investments are assigned units which provide the basis to determine an individual fund's ownership in the investment pool and its share of the gains, losses, and distributed income.

Split Interest Agreements

The College is designated as a beneficiary of several irrevocable charitable remainder unitrusts. The terms of these trusts require distribution to the College of the remainder interest on the death of the grantors of the trust. The trusts have independent trustees and are not controlled by the College. The assets of the trusts consist of cash, stocks, bonds, and real estate. The present value of the expected receipt of the remainder interest upon termination of the trust is recognized as a contribution at the time of the creation of the trust. Revaluations of the expected future benefits to be received are recognized in the statement of activities, with present value calculations based on risk-free rates and actuarially determined mortality rates.

The College has entered into seventeen charitable gift annuities in which the donors have contributed property or cash to the College in consideration for the payment of a life annuity. The property was recognized at fair value when received and an annuity payment liability recognized at the present value of future cash flows expected to be paid to the donor using a discount rate of 5% to 7.7%. Subsequent revaluations of the annuity payable are based upon a risk-free rate for terms based upon actuarially determined mortality rates.

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student Deposits and Deferred Revenue

Student deposits represent housing damage deposits and payments applied to College charges for tuition and other costs for future semesters, as well as excess payments made by students for prior semesters which are refundable to them. Student deposits for the past two years ranged between \$400 and \$500. The deposits are applied against the charges for the academic and residential programs.

Deferred revenue for the College consists primarily of a PreCollege program, memberships, and a travel program. PreCollege and travel program start in June and September, respectively. Revenue is recognized ratably over the period of membership or program delivery, with 100 percent of the PreCollege and travel programs recorded as deferred revenue at May 31.

The activities and balances for student deposits and deferred revenue from contracts with customers are shown in the following table.

	<u>Student Deposits</u>	<u>Deferred Revenue</u>
Balance at May 31, 2020	\$641,197	\$507,073
Revenue recognized, deposits applied/forfeited	(333,428)	(507,073)
Payments received for future performance obligations	<u>268,400</u>	<u>801,911</u>
Balance at May 31, 2021	576,169	801,911
Revenue recognized, deposits applied/forfeited	(134,057)	(801,911)
Payments received for future performance obligations	<u>278,405</u>	<u>1,491,874</u>
Balance at May 31, 2022	<u>\$720,517</u>	<u>\$1,491,874</u>

Investments

Investments are reported at fair value on the statements of financial position. Investments received by gift are recorded at fair value at the date of donation. Fair value on short-term investments and marketable securities is based on quoted market price. Investment in property is reported at fair value based on the most recent appraisals. Investment income or loss (including gains and losses on investments, interest and dividends) is included in without donor restriction net assets unless the income or loss is restricted by the donor.

The College's investments include various types of securities, which are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain securities and the level of uncertainty related to changes in the value of securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements. Quantitative information for level 2 and level 3 valuation inputs and related sensitivities is maintained by third parties and is not reasonably available to the College. Alternative investments consist of investments in hedge funds. The estimated fair value is determined by the investment manager utilizing the net asset valuations provided by the underlying asset's manager or through national exchange prices for securities with a readily determinable value. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed and the differences could be material.

Advertising Expenses

The College expenses advertising costs for marketing materials as incurred, amounting to \$1,307,538 and \$933,811 for the years ended May 31, 2022 and 2021, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund-Raising Expenses

Fund-raising expenses are included in institutional support on the statements of activities. Total fund-raising expenses for the years ended May 31, 2022 and 2021, were \$2,839,960 and \$2,187,684, respectively.

Federal Income Tax

A ruling from the U.S. Treasury Department, dated May 19, 1938, states that Ringling School of Art is exempt from Federal income tax under the provisions of 101(6) of the Revenue Act of 1936, which is now 501(c)(3) of the 1986 Internal Revenue Code. However, the College's unrelated business income is subject to income tax at corporate rates. The College's policy is to record a liability for any beneficial tax position, excluding any related interest and penalties, when it is more likely than not the position taken by management with respect to a transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of May 31, 2022 and May 31, 2021 and, accordingly, no liability has been accrued.

Related Party Transactions

The only related party transactions consist of contributions receivable disclosed in Note 5.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The College has evaluated subsequent events through September 26, 2022, in connection with the preparation of these financial statements, which is the date the financial statements were issued. There were no subsequent events requiring accrual or disclosure in the fiscal 2022 statements.

NOTE 2—FEDERAL FINANCIAL AID

The College participates in federally funded student aid programs known as Pell Grants, Supplemental Educational Opportunity Grants (SEOG), and Federal Work-Study (FWS). SEOG and FWS are included in Federal grant revenues presented in these financial statements. The College applies directly for funding of these programs, and recipients are selected by the College, based on need. Pell Grants are awarded and administered by a governmental agency. The College's responsibility is to coordinate information between the applicant and the agency and to disburse funds to recipients at the proper time.

NOTE 3—CONCENTRATIONS OF CREDIT RISK

The College maintains its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers all accounts at a single depository institution up to \$250,000. As of May 31, 2022, the College had \$19,855,551 in cash and cash equivalents in excess of insured amounts.

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment for the years ending May 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$236,971,729	\$229,951,380
Land and land improvements	55,048,343	51,492,440
Furniture, fixtures, equipment, and deposits	64,862,599	61,515,922
Library books	3,644,234	3,596,360
Computer equipment	35,718,747	47,556,790
Construction in progress	<u>16,013,422</u>	<u>7,609,200</u>
Total Plant Fixed Assets	412,259,074	401,722,092
Less accumulated depreciation	<u>(138,411,370)</u>	<u>(137,793,112)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$273,847,704</u>	 <u>\$263,928,980</u>

Total depreciation expense for the years ended May 31, 2022 and 2021 was \$16,657,683 and \$16,189,048, respectively. A new dining facility, Cunniffe Commons, was designed in 2019 and 2020, with construction occurring in 2021 and 2022. Renovations for Bayou Village Apartments began in 2020 and substantially completed in 2022.

The College capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$1,016,035 and \$1,099,784 during the years ended May 31, 2022 and 2021, respectively. Total interest cost incurred, inclusive of capitalized interest, was \$5,890,867 and \$6,001,756 during the years ended May 31, 2022 and 2021, respectively.

Detail of construction in progress for the years ending May 31, 2022 and 2021 consisted of:

	<u>2022</u>	<u>2021</u>
Cunniffe Commons	\$14,288,772	\$4,361,419
Parking Lot at MLK	589,197	-
Trail Plaza Roofing	370,759	-
Museum Campus Floor Replacements	255,260	-
Chilled Water Plant and Retrofits	73,465	71,082
Bayou Village Renovations	10,754	2,866,486
Other	<u>425,215</u>	<u>310,213</u>
	<u>\$16,013,422</u>	<u>\$7,609,200</u>

Outstanding commitments not yet reflected in construction in progress include \$8,984,029 for Cunniffe Commons dining facility, \$485,205 for Bayou Village renovations, \$330,083 for MLK Parking Lot, \$51,861 for the realignment of North Riverside Drive, and \$44,665 for Museum Campus flooring replacements.

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 5—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Contributions receivable have been discounted based on rates ranging from .09% to 5% at May 31, 2022 and 2021, respectively. Contributions receivable, net, are summarized as follows at May 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,021,514	\$ 1,891,968
One year to five years	11,504,660	8,035,419
Greater than five years	<u>7,591,048</u>	<u>14,002,169</u>
	21,117,222	23,929,556
Less discount to net present value	(2,744,984)	(3,282,470)
Less allowance for uncollectible contributions receivable	<u>(2,158,717)</u>	<u>(2,585,741)</u>
	<u>\$16,213,521</u>	<u>\$18,061,345</u>

Contributions receivable reflected in the financial statements as of May 31, 2022 and 2021 are:

	<u>2022</u>	<u>2021</u>
Current assets	\$ 1,095,630	\$ 1,244,466
Non-current assets	12,875,564	14,275,398
Endowment	<u>2,242,327</u>	<u>2,541,481</u>
	<u>\$16,213,521</u>	<u>\$18,061,345</u>

Gross contributions receivable from College Board members, faculty, and staff amounted to approximately \$12,180,000 and \$6,750,000 at May 31, 2022 and 2021, respectively. The College received two conditional promises which have not yet been recorded as support in the statements of activities. The first is a \$3,000,000 promise subject to securing sufficient resources from fundraising activities to support \$1,800,000 for student scholarships and \$1,200,000 for the library collection and operations. As of May 31, 2022, \$1,800,000 of the promise had been received. The second is a \$9,000,000 promise towards construction for a new building subject to securing sufficient project funding, completing approvals, and construction groundbreaking. The College has also received conditional promises of bequests which, if received, would generally be restricted for specific purposes stipulated by the donors. It is not practical to estimate their net realizable value.

Local community foundations provide the College's donors opportunities to set up gift agreements to provide contributions or income to the College with funds maintained by the community foundation until a specified future date or in perpetuity. Presently, the College or organizations which merged with the College are named in gift annuity agreements where the foundations retain the obligation to pay the annuity to the income beneficiaries and maintain the remainder in perpetuity. As the community foundations maintain variance power over the contributions and distributions, contribution income will be recognized as distributed. Gifts to the foundations are not reflected in the College's financial statements. Approximately 23% and 20% of contributions receivable were due from one donor for the years ended May 31, 2022 and 2021, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 6—INVESTMENTS

Investments, stated at fair value at May 31, 2022 and 2021, include:

	<u>2022</u>		<u>2021</u>	
	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>
Short-term				
Money market funds	\$ 1,149,227	\$ 1,149,227	\$ 1,151,630	\$ 1,151,630
Common stock	<u>574,621</u>	<u>574,621</u>	<u>-</u>	<u>-</u>
TOTAL CURRENT ASSETS	<u>\$ 1,723,848</u>	<u>\$ 1,723,848</u>	<u>\$ 1,151,630</u>	<u>\$ 1,151,630</u>
Long-term				
Money market funds	\$ 31,488	\$ 31,488	\$ 104,260	\$ 104,260
Mutual funds invested in:				
Debt securities	658,991	627,965	755,135	748,424
U.S. equity securities	<u>973,814</u>	<u>1,039,171</u>	<u>1,056,899</u>	<u>865,633</u>
Subtotal	1,664,293	1,698,624	1,916,294	1,718,317
Investment in property	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>
TOTAL NON-CURRENT ASSETS	<u>\$ 3,364,293</u>	<u>\$ 3,398,624</u>	<u>\$ 3,616,294</u>	<u>\$ 3,418,317</u>
Endowment				
Cash held for investment	\$ 1,378,821	\$ 1,378,821	\$ 1,135,009	\$ 1,135,009
Cash surrender value of life insurance contracts	9,952	21,659	11,382	23,089
Money market fund	4,354,392	4,354,392	-	-
Common stock	39,224,247	41,429,301	-	-
Mutual funds invested in:				
Debt securities	106,006	101,016	18,346,511	18,153,311
U.S. equity securities	9,418,594	9,449,418	44,439,714	27,780,619
U.S. government obligations	4,632,287	4,632,696	-	-
Alternative Investments	<u>2,467,297</u>	<u>2,500,000</u>	<u>-</u>	<u>-</u>
TOTAL ENDOWMENT	<u>\$ 61,591,596</u>	<u>\$ 63,867,303</u>	<u>\$ 63,932,616</u>	<u>\$ 47,092,028</u>
TOTAL INVESTMENTS	<u>\$ 66,679,737</u>	<u>\$ 68,989,775</u>	<u>\$ 68,700,540</u>	<u>\$ 51,661,975</u>

Investment in property reflects a contribution of real estate under a gift annuity agreement. The College incurred investment management and investment consulting fees, which are reported as a reduction of investment earnings, of \$170,385 and \$129,248 for the years ended May 31, 2022 and 2021, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 6—INVESTMENTS (Continued)

The following schedule summarizes the investment return from cash and cash equivalents and investments and its classification in the statement of activities for the years ended May 31, 2022 and 2021:

	<u>2022</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 6,669	\$ 82	\$ 6,751
Realized loss	(3,397)	(249)	(3,646)
Unrealized loss	(9,836)	(80,583)	(90,419)
Nonoperating Investment Return			
Interest and dividend income, net	477,684	812,582	1,290,266
Realized loss	(156,369)	(796,131)	(952,500)
Unrealized loss	(1,122,943)	(1,234,798)	(2,357,741)
Unrealized principal loss of true endowment	-	(69,366)	(69,366)
Total Investment Return	<u>(808,192)</u>	<u>(1,368,463)</u>	<u>(2,176,655)</u>
Investment return designated for current operations	<u>(2,539,775)</u>	<u>(20,350)</u>	<u>(2,560,125)</u>
INVESTMENT RETURN LONG-TERM	<u>\$(3,347,967)</u>	<u>\$(1,388,813)</u>	<u>\$(4,736,780)</u>
	<u>2021</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 9,644	\$ -	\$ 9,644
Realized gains	11,211	-	11,211
Unrealized gains	5,490	-	5,490
Nonoperating Investment Return			
Interest and dividend income, net	349,095	609,586	958,681
Realized gains	122,199	-	122,199
Unrealized gains	3,333,808	6,559,252	9,893,060
Unrealized principal gain of true endowment	-	64,463	64,463
Total Investment Return	<u>3,831,447</u>	<u>7,233,301</u>	<u>11,064,748</u>
Investment return designated for current operations	<u>(3,095,049)</u>	<u>(18,275)</u>	<u>(3,113,324)</u>
INVESTMENT RETURN LONG-TERM	<u>\$736,398</u>	<u>\$7,215,026</u>	<u>\$ 7,951,424</u>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 7—SPLIT-INTEREST AGREEMENTS

The College has entered into seventeen charitable gift annuities in which the donors have contributed property or cash to the College in consideration for the payment of a life annuity. The College maintained investments of \$1,932,014 at May 31, 2022, which met the reserves and investment limitations required by Florida Statutes. Florida Statute 627.481 requires reserves to be maintained equal to the sum of the reserves on its outstanding annuity agreements plus a surplus of 10%. In addition, the annuity investments are limited to no more than 50% equities (including mutual funds) and no more than 10% may be invested in any one stock or fund. The annuity payment liability as of May 31, 2022 and 2021, was \$1,024,982 and \$1,058,351, respectively.

The present value of contributions receivable from remainder trusts as of May 31, 2022 and 2021, was \$287,762 and \$584,498, respectively. The allowance was \$31,974 and \$64,945 at May 31, 2022 and 2021, respectively.

NOTE 8—LONG-TERM DEBT

Long-term debt at May 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Series 2009 Bonds	\$11,155,000	\$11,915,000
Series 2014 Bonds	7,860,000	9,335,000
Series 2017 Bonds	88,750,000	89,045,000
Series 2019 Bonds	40,325,000	40,645,000
2020 Loan Payable	<u>4,468,555</u>	<u>4,741,618</u>
Total	152,558,555	155,681,618
Add unamortized issuance premium	12,886,678	13,804,275
Less current portion	(3,226,912)	(3,123,062)
Less unamortized debt issuance costs	<u>(1,156,338)</u>	<u>(1,242,899)</u>
LONG-TERM DEBT	<u>\$161,061,983</u>	<u>\$165,119,932</u>

Principal maturities of long-term debt are as follows for the years ending May 31:

2023	\$ 3,226,912
2024	3,335,700
2025	3,450,470
2026	3,570,208
2027	3,690,262
Thereafter	<u>135,285,003</u>
TOTAL	<u>\$152,558,555</u>

All Series Bonds consist of borrowings funded by the issuance of Educational Facilities Revenue Bonds through the Higher Educational Facilities Financing Authority (HEFFA) and have been issued under the terms of the Master Trust Indenture dated June 1, 2004 between the master trustee and the College as amended by supplemental master trust indentures. The master trustee has a secured interest in all pledged revenues. Under terms of the loan agreements with HEFFA, the College is responsible for payment of principal and interest on the bonds and the master trust indenture, as amended, contains a debt service coverage ratio of 1 to 1.1, for which management believes the College was in compliance as of May 31, 2022 and 2021.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 8—LONG-TERM DEBT (Continued)

Series 2009 Bonds were issued to refund the Series 2004 Bonds and are subject to partial mandatory sinking fund redemption each March 1, through March 2034. The 2009 Bonds were sold to SunTrust (now Truist) Bank under the terms of a Guaranty and Credit Agreement dated December 1, 2009 as a tax-exempt bank-qualified loan. This Agreement was amended to remove the put options and modify the variable rate. The variable rate as of May 31, 2022 and 2021 was 1.67% and 0.90%, respectively.

Series 2014 Bonds were issued to refund the remaining Series 2008 Bonds and are subject to partial mandatory sinking fund redemption each March 1, beginning in 2015 through 2026. The 2014 Bonds were sold to SunTrust (now Truist) Bank under the terms of a Guaranty and Credit Agreement dated June 1, 2014 as a tax-exempt loan. The variable rate as of May 31, 2022 and 2021 was 1.67% and 0.90%, respectively.

The College obtained a \$20,000,000 taxable loan from SunTrust (now Truist) Bank to provide interim construction financing for certain capital projects, for which \$5,815,789 was outstanding at May 31, 2020. The loan was paid in full May 14, 2021. The loan was secured by capital campaign pledges. Interest was variable, based upon 0.95% plus 30-day LIBOR. The variable rate as of May 31, 2020 was 1.35%.

Series 2017 Bonds were issued as fixed rate tax-exempt bonds in the amount of \$90,255,000 to provide funds for numerous capital projects, refund \$30,000,000 of the Series 2010 Bonds, and \$13,500,000 of the SunTrust (now Truist) taxable loan. The 2017 Series Bonds are subject to partial mandatory sinking fund redemption each March 1, beginning in 2019 through 2047, were sold at a premium, resulting in effective yields between 1.41% and 4.05%, and bear interest, payable semiannually, at fixed rates ranging from 3% to 5%.

Series 2019 Bonds were issued as fixed rate tax-exempt bonds in the amount of \$40,920,000 with maturities ranging from March 1, 2021 through March 1, 2049, to provide funds for capital projects. The bonds were sold at a premium, resulting in effective yields between 1.49% and 3.03%. The 2019 Bonds bear interest, payable semiannually, at fixed rates ranging from 4% to 5%.

In 2020, the College obtained a \$5,000,000 fixed rate taxable loan from SunTrust (now Truist) Bank to fund acquisition of the soundstages previously under a capital lease. The loan is an unsecured general obligation of the College. The loan is fully amortized over a 15-year term with interest fixed at 3.15%.

NOTE 9—FUND RAISING ORGANIZATION

An organization known as the Ringling College Library Association, Inc. raises funds in support of the Ringling College of Art and Design. Funds raised (net of related expenses) are used primarily for the benefit of the College library. However, the Ringling College Library Association has approved use of funds raised for other College purposes such as scholarships. The organization has a separate Board of Trustees and is not controlled by the Ringling College of Art and Design.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 10—RETIREMENT PROGRAM

The College offers employees an opportunity to voluntarily participate in a defined contribution retirement plan designed in accordance with the provisions of section 403(b) of the Internal Revenue Code. The plan provides that each participant is immediately vested in their elective contributions and the College's match. The College will match 100% of the employee's elective contributions, up to five (5%) of annual compensation once a service period has been satisfied. Total plan expense for the years ended May 31, 2022 and 2021 was \$965,147 and \$946,313, respectively.

NOTE 11—ENDOWMENT

The College has interpreted the *Florida Uniform Management of Institutional Funds Act of 2003* and its successor enacted law, the *Florida Uniform Prudent Management of Institutional Funds Act (UPMIFA)*, effective July 1, 2012, as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulation to the contrary. As a result of this interpretation, the College classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment plus the original value of subsequent gifts to the permanent endowment and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted endowment fund is classified as with donor restrictions or without donor restriction in accordance with the applicable donor gift instrument until those amounts are appropriated for expenditure by the College in accordance with the College's endowment spending policy.

Net assets with donor restriction also reflect losses to permanently endowed contributions that exceed the fair value of the original and subsequent gifts. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. Deficiencies of this nature existed in ten donor restricted funds, which combined have an original gift value of \$1,669,961, a current fair value of \$1,600,595, and a deficiency of \$69,366 as of May 31, 2022. These deficiencies resulted from unfavorable market conditions that occurred after the investment of new perpetually restricted contributions. No deficiencies of this nature exist as of May 31, 2021.

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable income stream to support their endowed purposes, while maintaining their purchasing power. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term objective is to achieve a return that exceeds the rate of inflation as measured by the Consumer Price Index plus the spending rate, which is anticipated to not exceed 5%, net of investment consulting and management fees. Additional distributions, particularly from Board designated endowment, may be made as recommended by the Investment Committee and approved by the Board. To address potential financial impacts on enrollment and auxiliary revenues, the Investment Committee recommended and the Executive Committee of the Board of Trustees approved an additional distribution of \$3,000,000 to support operations in June 2020. This distribution was withdrawn, but repaid prior to May 31, 2021.

Actual returns in any given year may vary from this amount. To satisfy its long-term 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 a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk parameters.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 11—ENDOWMENT (Continued)

The spending policy calculates the amount of money annually distributed from the College’s various endowed funds for the purposes for which they were created. The current spending policy is to distribute an amount equal to 5% of a moving twelve quarter average, measured at the end of each calendar year-end for the subsequent fiscal year. The distribution is further limited by actual appreciation in each fund at the time of the distribution. Accordingly, over the long term, the College expects its spending policy to allow endowment assets to grow to maintain their purchasing power as well as to provide growth through new gifts and investment return.

Changes in endowment net assets for the years ended May 31, 2022 and 2021 are as follows:

	<u>2022</u>			
	<u>Without Donor</u>	<u>With Donor Restrictions</u>		
	<u>Restrictions</u>	<u>Purpose/Time</u>	<u>Perpetual in</u>	<u>Total</u>
		<u>Restrictions</u>	<u>Nature</u>	
Endowment net assets, beginning of year	<u>\$21,608,715</u>	<u>\$11,792,787</u>	<u>\$33,530,844</u>	<u>\$66,932,346</u>
Investment return, net	(652,002)	(1,218,347)	-	(1,870,349)
Contributions	475,786	78,453	1,324,997	1,879,236
Principal gain of endowment	-	(69,366)	-	(69,366)
Distributions	(794,225)	(1,765,900)	-	(2,560,125)
Other changes	<u>-</u>	<u>-</u>	<u>(79,703)</u>	<u>(79,703)</u>
Change in Net Assets	<u>(970,441)</u>	<u>(2,975,160)</u>	<u>1,245,294</u>	<u>(2,700,307)</u>
 ENDOWMENT NET ASSETS, END OF YEAR	 <u>\$20,638,274</u>	 <u>\$8,817,627</u>	 <u>\$34,776,138</u>	 <u>\$64,232,039</u>
		<u>2021</u>		
	<u>Without Donor</u>	<u>With Donor Restrictions</u>		
	<u>Restrictions</u>	<u>Purpose/Time</u>	<u>Perpetual in</u>	<u>Total</u>
		<u>Restrictions</u>	<u>Nature</u>	
Endowment net assets, beginning of year	<u>\$19,776,248</u>	<u>\$5,826,758</u>	<u>\$32,641,077</u>	<u>\$58,244,083</u>
Investment return, net	3,486,492	7,313,837	-	10,800,329
Contributions	-	47,028	886,213	933,241
Principal loss of endowment	-	64,463	-	64,463
Distributions	(1,654,025)	(1,459,299)	-	(3,113,324)
Change in donor designation	-	-	5,200	5,200
Other changes	<u>-</u>	<u>-</u>	<u>(1,646)</u>	<u>(1,646)</u>
Change in Net Assets	<u>1,832,467</u>	<u>5,966,029</u>	<u>889,767</u>	<u>8,688,263</u>
 ENDOWMENT NET ASSETS, END OF YEAR	 <u>\$21,608,715</u>	 <u>\$11,792,787</u>	 <u>\$33,530,844</u>	 <u>\$66,932,346</u>

Endowment net assets without donor restrictions identified in the tables above represent Board designated net assets. The College’s Board utilizes the spending distribution on without donor restrictions to support student scholarships. The Board has not designated the endowment net assets without donor restrictions for a specific purpose.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 12—NATURE AND AMOUNT OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of May 31, 2022 and 2021 were:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose or passage of time:		
Capital	\$16,280,395	\$12,038,977
Departmental purposes	3,603,200	7,553,028
Time restricted	1,014,661	1,805,819
Scholarships	1,646,883	1,774,013
Long-term investment	<u>8,817,627</u>	<u>11,792,787</u>
	31,362,766	34,964,624
Subject to the restrictions in perpetuity, for which income is subject to spending policy appropriation:		
Departmental purposes	9,453,987	9,329,553
Institutional	843,772	768,772
Scholarships	<u>24,478,379</u>	<u>23,432,519</u>
	<u>34,776,138</u>	<u>33,530,844</u>
Net assets with donor restriction	<u>\$66,138,904</u>	<u>\$68,495,468</u>

The College released net assets with donor restrictions for the following purposes for the years ended May 31, 2022 and 2021:

Capital	\$6,989,539	\$10,623,854
Departmental purposes	1,148,837	1,157,672
Institutional	1,550	1,475
Scholarships	<u>2,236,942</u>	<u>2,601,614</u>
	<u>\$10,376,868</u>	<u>\$14,384,615</u>

NOTE 13—LIMITED LIABILITY CORPORATION MEMBER

The College is a member of a limited liability corporation that consists of private, not-for-profit institutions, formed to provide a means of self-insuring certain property and liability loss coverage. The College has remitted premiums, which amounts may be refunded in future periods based upon the loss experience by members of the limited liability corporation. No amounts have been recorded for future refunds or the College's interest in the limited liability corporation. The College also maintains certain other coverages which management believes are sufficient to cover all material claims.

NOTE 14—OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and facilities operations and maintenance, which are allocated on a square-footage basis. Other allocated expenses are based upon the number of full-time equivalent employees.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 14—OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION (Continued)

Operating expenses and losses by natural and functional classification, for the year ended May 31, 2022 were:

	Academic Instruction	Academic Support	Student Services	Scholarships and Stipends	Auxiliary Enterprises	Institutional Support	Total Expenses
Operating expenses and losses:							
Personnel compensation	\$ 13,804,149	\$ 5,565,715	\$ 3,375,210	\$ -	\$ 1,136,764	\$ 5,161,650	\$ 29,043,488
Benefits	3,681,229	1,526,582	1,288,948	-	1,066,611	1,891,217	9,454,587
Supplies/equipment	607,810	1,066,136	287,340	-	130,324	919,559	3,011,169
Telephone/other communications	44,083	42,757	126,664	-	7,901	155,960	377,365
Marketing/Publications	222,618	301,692	169,767	-	3,593	609,869	1,307,539
Conferences/travel	217,325	118,640	205,377	-	7,910	210,606	759,858
Computers/technology	114,631	893,285	316,505	-	32,602	409,644	1,766,667
Contracted services	1,817,783	1,503,546	1,602,866	-	4,270,510	1,622,509	10,817,214
Student related expenses	120,921	25,839	180,117	1,914,012	-	656	2,244,144
Other expenses	-	1,079	30,229	-	224,579	3,611	259,498
Insurance	428,091	123,179	64,609	-	4,904	1,835,839	2,456,622
Utilities	923,603	519,453	109,324	-	1,307,314	90,930	2,950,624
Taxes	43,477	21,106	-	-	88,501	134,199	287,283
Interest/loan fees	1,412,298	792,018	132,876	-	2,520,367	43,196	4,900,755
Depreciation	6,071,522	4,459,052	397,874	-	5,009,860	719,375	16,657,683
Amortization	-	565,443	-	-	-	-	565,443
Losses on disposal	382	(796)	(419)	-	10,481	9,260	18,908
Total operating expenses	\$ 29,509,922	\$ 17,524,726	\$ 8,287,287	\$ 1,914,012	\$ 15,824,820	\$ 13,818,080	\$ 86,878,847

Operating expenses and losses by natural and functional classification, for the year ended May 31, 2021 were:

	Academic Instruction	Academic Support	Student Services	Scholarships and Stipends	Auxiliary Enterprises	Institutional Support	Total Expenses
Operating expenses and losses:							
Personnel compensation	\$ 13,854,159	\$ 5,455,301	\$ 3,114,400	\$ -	\$ 1,097,266	\$ 5,374,138	\$ 28,895,264
Benefits	3,402,841	1,405,722	1,118,631	-	890,231	2,092,413	8,909,838
Supplies/equipment	644,745	1,073,861	235,372	-	117,595	779,316	2,850,889
Telephone/other communications	45,567	48,951	129,654	-	47,972	139,047	411,191
Marketing/Publications	202,288	77,858	162,435	-	25,926	465,304	933,811
Conferences/travel	28,566	28,314	49,004	-	6,570	66,300	178,754
Computers/technology	118,201	974,641	259,798	-	32,545	247,858	1,633,043
Contracted services	1,942,876	1,557,360	1,149,363	-	3,996,861	1,210,536	9,856,996
Student related expenses	54,972	31,415	69,766	1,511,061	2,188	-	1,669,402
Other expenses	1,060	243	46,633	-	194,177	23,464	265,577
Insurance	613,955	198,334	90,227	-	230,017	994,366	2,126,899
Utilities	783,542	426,584	95,074	-	978,965	79,077	2,363,242
Taxes	60,703	118,874	-	-	48,365	229,972	457,914
Interest/loan fees	1,453,416	824,096	131,970	-	2,394,704	113,458	4,917,644
Depreciation	5,864,852	4,736,188	410,965	-	4,473,456	703,587	16,189,048
Amortization	-	565,442	-	-	-	-	565,442
Losses on disposal	105,373	36,079	17,530	-	245,277	10,580	414,839
Total operating expenses	\$ 29,177,116	\$ 17,559,263	\$ 7,080,822	\$ 1,511,061	\$ 14,782,115	\$ 12,529,416	\$ 82,639,793

NOTE 15—LIQUIDITY

For purposes of analyzing resources available to meet general expenditures within one year, the College considers all expenditures related to its ongoing activities of academic instruction and related services to be general expenditures. Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Board designated endowment is subject to the College's spending policy as described in Note 11. The College does not intend to spend from the Board designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy, and has deducted the funds from financial assets available in the table below. However, these amounts could be made available, if necessary.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 15—LIQUIDITY (Continued)

To address potential financial impacts on enrollment and auxiliary revenues, the Investment Committee recommended and the Executive Committee of the Board of Trustees approved an additional distribution of \$3,000,000 to support operations in June 2020. This distribution was withdrawn, but repaid prior to May 31, 2021. As part of the College's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash is held in interest bearing bank accounts and is invested in short and intermediate fixed income investments, and money market funds. The following table reflects the College's financial assets as of May 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date.

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$19,636,378	\$12,836,533
Short-term investments	1,723,848	1,151,630
Student accounts receivable	36,444	119,070
Contributions receivable	16,213,521	18,061,345
Other accounts receivable	125,694	198,346
Assets held in trust by others	287,762	584,498
Cash reserve for project fund	14,404,941	23,515,728
Investments in property	1,700,000	1,700,000
Other long-term investments	<u>63,255,889</u>	<u>65,848,910</u>
FINANCIAL ASSETS AT THE END OF THE YEAR	117,384,477	124,016,060
Less assets unavailable for general expenditures within one year:		
Restricted by donors for future capital projects	(13,920,092)	(9,536,280)
Restricted for future capital projects	(14,404,941)	(23,515,728)
Restricted by donors for use in future periods	(2,369,523)	(7,125,133)
Board designated endowment	(19,692,399)	(20,814,490)
Future expendable donor-restricted endowment	(6,646,734)	(9,789,922)
Retained donor-restricted perpetual endowment	(34,488,379)	(33,164,809)
Investments in property	(1,700,000)	(1,700,000)
Annuities	(1,932,014)	(2,105,561)
Assets held in trust by others	<u>(287,762)</u>	<u>(584,498)</u>
FINANCIAL ASSETS AVAILABLE FOR CASH		
GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 21,942,633</u>	<u>\$15,679,639</u>

NOTE 16—FAIR VALUE MEASUREMENTS

The fair value of financial instruments has been determined based upon a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the College. Unobservable inputs reflect the College's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the following inputs.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2022 AND 2021

NOTE 16—FAIR VALUE MEASUREMENTS (Continued)

Level 1 valuations are based on unadjusted quoted prices in active markets for identical assets or liabilities. Since valuations are based on quoted prices that are readily and regularly available in the active market, valuation of these securities does not entail a significant degree of judgment. Level 2 valuations are based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable, supported by little or no market activity and that are significant to the overall fair value measurement. (See Note 1 – Investments and Split Interest Agreements). There were no purchases of Level 3 investments during the years ended May 31, 2022 and 2021.

The hedge funds are not available in an exchange or an active market; however, as a practical expedient, the fair value is determined based on the Net Asset Value (“NAV”) of the underlying assets as traded in an exchange or active market. No shareholder has the right to require the funds to redeem their shares. There is no public market for shares, and none is expected to develop. Consequently, shareholders may not be able to liquidate their investment other than as a result of repurchase of shares by the funds. Unfunded commitments to alternative investments totaled \$2,000,000 as of May 31, 2022.

A summary of financial instruments, measured at fair value in accordance with the measurements described above, as of May 31, 2022 and 2021, is as follows:

<u>Description of investment</u>	<u>5/31/2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$5,535,107	\$ 5,535,107	\$ -	\$ -
Mutual funds	11,157,405	11,157,405	-	-
Common stocks	39,798,868	39,798,868	-	-
U.S. government obligations	4,632,287	4,632,287	-	-
Cash surrender value of life insurance	9,952	-	9,952	-
Remainder trusts	<u>287,762</u>	<u>-</u>	<u>-</u>	<u>287,762</u>
Subtotal of investments, at fair value	61,421,381	61,123,667	9,952	287,762
Investments measured using NAV	<u>2,467,297</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$63,888,678</u>	<u>\$61,123,667</u>	<u>\$9,952</u>	<u>\$287,762</u>

<u>Description of investment</u>	<u>5/31/2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$1,255,890	\$ 1,255,890	\$ -	\$ -
Remainder trusts	584,498	-	-	584,498
Cash surrender value of life insurance	11,382	-	11,382	-
Mutual funds	<u>64,598,259</u>	<u>64,598,259</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$66,450,029</u>	<u>\$65,854,149</u>	<u>\$11,382</u>	<u>\$584,498</u>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 17—FINANCIAL RESPONSIBILITY – U.S. DEPARTMENT OF EDUCATION

The Department of Education issued regulations, effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV. These disclosures are not required by accounting principles generally accepted in the United States of American but are intended for use by the Department of Education and to ensure compliance with Federal Title IV regulations.

Net Assets

1.	Other net assets with donor restrictions (not perpetually restricted):	
	a. Annuities with donor restrictions	\$969,254
	b. Term endowments	-
	c. Life income funds (trusts)	-
	d. Total annuities, term endowments and life income funds with donor restrictions	<u>\$969,254</u>

Unsecured related party receivables

2.	Unsecured related party receivables	<u>\$12,177,700</u>
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Property, Plant and Equipment, net

3.	Pre-implementation property, plant and equipment, net (PP&E, net):	
	a. Ending balance of last financial statements submitted to the Department of Education (May 31, 2019 financial statement)	\$223,008,294
	b. Reclassify capital lease assets previously included in PP&E, net prior to the implementation of ASU 2016-02 leases standards	-
	c. Less subsequent depreciation and disposals	<u>(39,160,029)</u>
	d. Balance Pre-implementation property, plant and equipment, net	<u>183,848,265</u>
4.	Debt Financed Post-implementation property, plant and equipment, net Long-lived assets acquired with debt subsequent to May 31, 2019:	
	a. Equipment	58,284
	b. Land and land improvements	7,608,395
	c. Buildings and improvements	<u>31,399,309</u>
	d. Total property, plant and equipment, net acquired with debt exceeding 12 months	39,065,988
5.	Construction in progress – acquired subsequent to May 31, 2019	16,013,422
6.	Post-implementation property, plant and equipment, net, acquired without Debt:	
	a. Long-lived assets acquired without use of debt subsequent to May 31, 2019	<u>34,920,029</u>
7.	Total Property, Plant and Equipment, net – May 31, 2022	<u>\$273, 847,704</u>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2022 AND 2021

NOTE 17—FINANCIAL RESPONSIBILITY – U.S. DEPARTMENT OF EDUCATION (Continued)

Debt to be excluded from expendable net assets

8. Pre-implementation debt:	
a. Ending balance of last financial statements submitted to the Department of Education (May 31, 2019 financial statement)	\$115,037,177
b. Reclassify capital lease assets previously included in long-term debt prior to the implementation of ASU 2016-02 leases standards	-
c. Less subsequent debt repayments	<u>(19,653,505)</u>
d. Balance Pre-implementation debt	<u>95,383,672</u>
9. Allowable post-implementation debt used for capitalized long-lived assets:	
a. Equipment	257,306
b. Land and land improvements	8,382,789
c. Buildings and improvements	37,058,036
d. Less subsequent debt repayments	<u>(2,238,153)</u>
e. Balance Post-implementation debt	43,459,978
10. Construction in progress financed with long-term debt	11,040,304
11. Long-term debt not for the purchase of property, plant and equipment or liability greater than assets value	<u>-</u>
12. Long-term debt for long-term purposes	<u>\$149,883,954</u>

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
MAY 31, 2022

Primary Reserve Ratio:			
Expendable Net Assets:			
Statement of Financial Position (SFP) page 4: Net assets without donor restrictions	Net assets without donor restrictions		\$155,706,629
SFP page 4: Net assets with donor restrictions	Net assets with donor restrictions		66,138,904
Footnote (FN) 17, page 25, line 2: Unsecured related party receivable	Secured and Unsecured related party receivable	\$12,177,700	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivable		12,177,700
SFP page 3: Property and equipment at cost less accumulated depreciation	Property, plant and equipment, net (includes Construction in progress) - Total	273,847,704	
FN 17, page 25, line 3d: Balance Pre-implementation property, plant and equipment, net	Property, plant and equipment pre-implementation		183,848,265
FN 17, page 25, line 4d: Total property, plant and equipment, net acquired with debt exceeding 12 months	Property, plant and equipment post-implementation with outstanding debt for original purchase		39,065,988
FN 17, page 25, line 6a: Long-lived assets acquired without use of debt subsequent to May 31, 2019	Property, plant and equipment post-implementation without outstanding debt for original purchase		34,920,029
FN 17, page 25, line 5: Construction in progress – acquired subsequent to May 31, 2019	Construction in progress		16,013,422
(None)	Lease right-of-use asset, net - Total	0	
(None)	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)		0
(None)	Lease right-of-use asset, post-implementation		0
(None)	Intangible assets		0
(None)	Post-employment and pension liabilities		0
FN 17, page 26, line 12: Long-term debt for long-term purposes	Long-term debt - for long term purposes	149,883,954	
FN 17, page 26, line 8d: Balance Pre-implementation debt	Long-term debt - for long term purposes pre-implementation		95,383,672
FN17, page 26, line 9e: Balance Post-implementation debt	Long-term debt - for long term purposes post-implementation		43,459,978
FN 17, page 26, line 10: Construction in progress financed with long-term debt	Bonds for Construction in progress		11,040,304

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
MAY 31, 2022

Primary Reserve Ratio (Continued):			
Expendable Net Assets (Continued):			
(None)	Lease right-of-use asset liability	\$0	
(None)	Pre-implementation right-of-use asset liability (grandfather of leases option not chosen)		\$0
(None)	Post-implementation right-of-use asset liability		0
FN 17, page 25, line 1d: Annuities, term endowments and life income with donor restrictions	Annuities, term endowments and life income with donor restrictions	969,254	
FN 17, page 25, line 1a: Annuities	Annuities with donor restrictions		969,254
FN 17, page 25, line 1b: Term endowments	Term endowments with donor restrictions		0
FN 17, page 25, line 1c: Life income funds	Life income funds with donor restrictions		0
FN 12, page 21: Subject to the restrictions in perpetuity	Net assets with donor restrictions: restricted in perpetuity		34,776,138
Total Expenses and Losses:			
Statement of Activities (SOA) page 5: Total Operating Expenses and Losses	Total expenses without donor restrictions - taken directly from Statement of Activities		\$86,878,847
(None)	Non-Operating and Net Investment (loss)		0
(None)	Net investment losses		0
(None)	Pension-related changes other than net periodic costs		0

RINGLING COLLEGE OF ART AND DESIGN
 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
 MAY 31, 2022

Equity Ratio:			
Modified Net Assets:			
SFP page 4: Net assets without donor restrictions	Net assets without donor restrictions		\$155,706,629
SFP page 4: Net assets with donor restriction	Net assets with donor restrictions		66,138,904
(None)	Intangible assets		0
(None)	Intangible assets		0
FN 17, page 25, line 2: Unsecured related party receivable	Secured and Unsecured related party receivables - Total	\$12,177,700	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivables		12,177,700
Modified Assets:			
SFP page 3: Total assets	Total assets		\$401,598,018
(None)	Lease right-of-use asset pre-implementation		0
(None)	Pre-implementation right-of-use asset liability		0
(None)	Intangible assets		0
FN 17, page 25, line 2: Unsecured related party receivable	Secured and Unsecured related party receivables	\$12,177,700	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivables		12,177,700
Net Income Ratio:			
SOA page 5: Without Donor Restrictions column - Total Change in Net Assets	Change in Net Assets Without Donor Restrictions		\$10,949,701
SOA page 5: Without Donor Restrictions column - Sum of Total Operating Revenues, Gains and Other Support; Private gifts; Investment return, net; Endowment distribution designated for operations; Net assets released from restriction	Total Revenues and Gains		97,828,548

RINGLING COLLEGE OF ART AND DESIGN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED MAY 31, 2022

	Federal Assistance Listing Number	Federal Grant or Other Federal Identification	Federal Expenditures
U.S. Department of Education			
Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grant	84.007	P007A214730	\$ 223,012
Federal Work-Study Program	84.033	P033A214730	230,432
Federal Pell Grant Program	84.063	P063P213557	1,956,185
Federal Direct Student Loan Program	84.268	P268K223557	<u>16,409,581</u>
Total Student Financial Aid Cluster			<u>18,819,210</u>
Higher Education Emergency Relief Fund			
CARES Act Emergency Funding - Student Portion	84.425E	P425E204443	1,663,512
CARES Act Emergency Funding - Institutional Portion	84.425F	P425F203462	<u>1,735,577</u>
Total Higher Education Emergency Relief Fund			<u>3,399,089</u>
Total U.S. Department of Education			<u>22,218,299</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 22,218,299</u>
	State CSFA Number	State Grant or Other State Identification	State Expenditures
Florida Department of Education			
Florida Effective Access to Student Education	48.064		\$ 1,048,336
Florida Private Student Assistance Grant	48.054		216,528
Florida Bright Futures Scholarship Project Children and Spouses of Deceased or Disabled Veterans or Service Members	48.059		582,297
	48.055		<u>15,264</u>
Total Florida Student Financial Aid			1,862,425
Florida Department of Highway Safety and Motor Vehicles			
Ringling College of Art and Design License Plate Project	76.055		<u>9,200</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u>\$ 1,871,625</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED MAY 31, 2022

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance includes the federal and state grant activity of Ringling College of Art and Design and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards (Uniform Guidance)* and Chapter 10.650, Rules of the Florida Auditor General. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements. There were no subrecipient expenditures during the fiscal year ended May 31, 2022.

NOTE 2—INDIRECT COST RATE

The College did not elect to utilize the 10% de minimis indirect cost rate during the year ended May 31, 2022.

NOTE 3—CONTINGENCY

The grant revenue amounts are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agency as a result of such an audit, any claim for reimbursement to the grantor agency would become a liability to the College. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable federal laws and regulations.

NOTE 4—HIGHER EDUCATION EMERGENCY RELIEF FUND

The CARES Act created a Higher Education Emergency Relief Fund (HEERF) to provide financial relief to students and institutions who were impacted by the COVID-19 pandemic. The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) and the American Rescue Plan (ARP) provided additional rounds of HEERF (II and III). The HEERF funds contained two components, an institutional award and a student aid award.

The following cumulative amounts have been awarded as HEERF as of May 31, 2022:

	Student Portion	Institutional Portion	Total
Awarded			
HEERF I	\$ 636,610	\$ 636,610	\$1,273,220
HEERF II	636,610	1,330,212	1,966,822
HEERF III	<u>1,735,578</u>	<u>1,735,577</u>	<u>3,471,155</u>
	<u>\$3,008,798</u>	<u>\$3,702,399</u>	<u>\$6,711,197</u>

The College expended the following funds for the year ending May 31, 2022:

	Student Portion	Institutional Portion	Total
Expended			
HEERF I	\$ -	\$ -	\$ -
HEERF II	-	-	-
HEERF III	<u>1,663,512</u>	<u>1,735,577</u>	<u>3,399,089</u>
	<u>\$1,663,512</u>	<u>\$1,735,577</u>	<u>\$3,399,089</u>

Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees of
Ringling College of Art and Design
Sarasota, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Ringling College of Art and Design (the "College"), which comprise the statement of financial position as of May 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Orlando, Florida
September 26, 2022

**Report of Independent Auditor on Compliance for Each Major Federal Awards Program
and State Financial Assistance Project and on Internal Control Over Compliance
Required by the Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General**

To the Board of Trustees of
Ringling College of Art and Design
Sarasota, Florida

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

Opinion on Each Major Federal Program and State Financial Assistance Project

We have audited Ringling College of Art and Design's (the "College") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements identified as subject to audit in the *Executive Office of the Governor's State Projects Compliance Supplement*, that could have a direct and material effect on each of the College's major federal programs and state financial assistance projects for the year ended May 31, 2022. The College's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended May 31, 2022.

Basis for Opinion on Each Major Federal Program and State Financial Assistance Project

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, Rules of the Florida Auditor General (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each of its major federal programs and state financial assistance projects. Our audit does not provide a legal determination of the College's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the College's federal programs and state financial assistance projects.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the College's compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the College's compliance with the requirements of each of its major federal programs and state financial assistance projects as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 College's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the College's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and Chapter 10.650 and is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program and state financial assistance project is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on the College's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The College's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state financial assistance project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state financial assistance project will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control

over compliance with a type of compliance requirement of a federal program or state financial assistance project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitation, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Orlando, Florida
September 26, 2022

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects
 Year Ended May 31, 2022

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

Significant deficiency(ies) identified not considered to be material weakness(es)? yes x none reported

Noncompliance material to financial statements noted yes x no

Federal Awards and State Projects Section

Dollar threshold used to determine Type A programs:

Federal programs	\$ 750,000
State programs	\$ 561,487

Auditee qualified as low-risk auditee for federal purposes? x yes no

Type of auditor's report on compliance for major federal programs and state projects: Unmodified

A Summary Schedule of Prior Audit Findings is not necessary since there were no prior audit findings.

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects (continued)
 Year Ended May 31, 2022

Part I - Summary of Auditor's Results (continued)

Federal Awards and State Projects Section (continued)

Internal control over major programs:

Material weakness(es) identified? _____ yes x no

Significant deficiency(ies) identified not
 considered to be material weakness(es)? _____ yes x none reported

Any audit findings disclosed that are
 required to be reported in accordance with
 2 CFR 200.516(a) or Chapter 10.650 x yes _____ no

Identification of major federal programs and state projects:

Federal Programs:

Assistance Listing Numbers	Name of Program or Cluster
84.007, 84.033, 84.063, 84.268	U.S. Department of Education - Student Financial Aid Cluster
84.425E, 84.425F	U.S. Department of Education - Higher Education Emergency Relief Fund

State Projects:

CSFA Numbers	Name of Project
48.054	Florida Private Student Assistance Grant
48.055	Children and Spouses of Deceased or Disabled Veterans or Service Members
48.059	Florida Bright Futures Scholarship Project
48.064	Florida Effective Access to Student Education

RINGLING COLLEGE
Schedule of Findings and Questioned Costs -
Federal Awards Programs and State Financial Assistance Projects (continued)
Year Ended May 31, 2022

Part II - Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, illegal acts, and violations of provisions of contracts and grant agreements, and abuse related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

There were no financial statement findings required to be reported in accordance with *Government Auditing Standards*.

Part III - State Project Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of state financial assistance projects, as required to be reported by Chapter 10.650 of the Rules of the Auditor General.

RINGLING COLLEGE
Schedule of Findings and Questioned Costs -
Federal Awards Programs and State Financial Assistance Projects (continued)
Year Ended May 31, 2022

Part III - State Project Findings and Questioned Costs (continued)

Finding Number: 2022-001 - State Award Made to Ineligible Student

State Program - Florida Department of Education, Florida Effective Access to Student Education, CSFA 48.064

Criteria - In order to be considered eligible and receive the Florida Effective Access to Student Education grant, a student must not be in default on any federal student loans.

Condition - The College receives federal student loan default status data from the FAFSA and NSLDS and places a hold on the account of any students noted as being in default. There was one instance noted where the student was in default and incorrectly awarded \$2,841 under the Florida Effective Access to Student Education grant.

Cause - The College did not properly place a hold on the student's account.

Effect - The College awarded the Florida Effective Access to Student Education grant to an ineligible student.

Context - Of a sample of 50 students who received the Florida Effective Access to Student Education grant, only one was deemed to be ineligible. Furthermore, a query of the College's student financial aid system for students in default indicated that there were no other students in default.

Recommendation - We recommend the College implement a procedure to review the federal loan default status on students.

Status of Refund - As of the date of our report, the College has refunded the Florida Department of Education questioned costs totaling \$2,841 for the one student identified.

RINGLING COLLEGE
Schedule of Findings and Questioned Costs -
Federal Awards Programs and State Financial Assistance Projects (continued)
Year Ended May 31, 2022

Views of Responsible Officials - Students who are in default of Title IV financial aid are rarely able to attend the College as they need federal aid funds to cover costs. However, one disabled veteran was in default of federal student aid and though the College has a default flag procedure in place and did not award any federal aid to the student, a state EASE grant of \$2,841 was disbursed to the student. Upon receiving notice of the occurrence, the College contacted the Florida Office of Student Financial Assistance to report the issue and was advised to repay the funds to satisfy the ineligible disbursement. Accordingly, the College has now repaid the funds to the state. This EASE award only involved one student as no other students attending the College are in default of Title IV funds.

As an additional preventative measure, starting with the 2023-2024 academic year the College will place a Document Hold on the accounts of students determined to be in default of any Title IV student aid program. This hold procedure will also serve as a consistent, clear, and secure warning mechanism for defaults. Consequently, this process will eliminate the possibility of any student in default of Title IV student aid to be awarded and disbursed all federal and state student aid funds.

Independent Auditor's Management Letter

To the Board of Trustees
Ringling College of Art and Design
Sarasota, Florida

Report on the Financial Statements

We have audited the financial statements of Ringling College of Art and Design (the "College") as of and for the fiscal year ended May 31, 2022, and have issued our report thereon dated September 26, 2022.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.650, Rules of the Florida Auditor General.

Other Reporting Requirements

We have issued our Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Report of Independent Auditor on Compliance for Each Major Federal Awards Program and State Financial Assistance Project and on Internal Controls Over Compliance Required by Uniform Guidance and Chapter 10.650, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule should be considered in conjunction with this management letter.

Additional Matters

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we noted one instance of State project noncompliance, see 2022-001 on the Schedule of Findings and Questioned Costs.

Purpose of this Letter

The purpose of this management letter is intended solely to communicate certain matters prescribed by Chapter 10.650, Rules of the Florida Auditor General. Accordingly, this management letter is not suitable for any other purpose.

Cherry Bekaert LLP

Orlando, Florida
September 26, 2022