

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT AUDITOR	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position.....	3-4
Statements of Activities	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-26
SUPPLEMENTAL INFORMATION	
Financial Responsibility Supplemental Schedule	27-29
SINGLE AUDIT	
Schedule of Expenditures of Federal Awards and State Financial Assistance	30
Notes to the Schedule of Expenditures of Federal Awards and State Financial Assistance	31
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 <i>Government Auditing Standards</i> ...	32-33
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 Auditor General.....	34-36
Schedule of Findings and Questioned Costs	37-39

Report of Independent Auditor

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

Opinion

We have audited the accompanying statements of financial position of Ringling College of Art and Design (the "College") as of May 31, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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 audits.

Supplemental Information

Our audits were 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 28, 2023, 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.

Cherry Bekaert LLP

Orlando, Florida
September 28, 2023

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022

ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 20,681,491	\$ 18,378,968
Short-term investments	2,870,109	1,723,848
Accounts receivable - students, net	157,341	36,444
Contributions receivable, net	1,310,288	1,095,630
Other receivables, no allowance	48,374	125,694
Prepaid expenses and other assets	4,290,513	4,172,576
Total Current Assets	29,358,116	25,533,160
<u>Non-current assets</u>		
Cash and cash equivalents restricted by donors	1,514,540	1,189,575
Long-term investments	1,513,204	1,664,293
Long-term contributions receivable, net	10,576,840	12,875,564
Cash reserve for project fund	2,499,814	14,404,941
Investment in property	2,400,000	1,700,000
Other non-current assets	5,777,352	6,150,741
Total Non-Current Assets	24,281,750	37,985,114
<u>Endowment</u>		
Cash and cash equivalents restricted for endowment	188,475	67,835
Contributions receivable restricted for endowment, net	1,804,934	2,242,327
Contributions receivable from remainder trusts, net	224,190	287,762
Other non-current assets	42,520	42,520
Long-term investments	60,769,119	61,591,596
Total Endowment Assets	63,029,238	64,232,040
<u>Property and equipment</u>		
at cost less accumulated depreciation	286,745,220	273,847,704
TOTAL ASSETS	\$ 403,414,324	\$ 401,598,018

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2023 AND 2022

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
<u>Current liabilities</u>		
Accounts payable	\$ 3,802,144	\$ 4,328,255
Accrued salaries and wages	5,772,365	5,417,013
Other accrued expenses	2,050,658	2,460,448
Current portion of long-term debt	3,335,700	3,226,912
Student deposits	750,336	720,517
Deferred revenue	2,063,179	1,491,874
Amounts held in custody for others	16,992	20,501
Total Current Liabilities	<u>17,791,374</u>	<u>17,665,520</u>
<u>Long-term liabilities</u>		
Long-term debt, net	156,912,522	161,061,983
Annuity payable	<u>883,287</u>	<u>1,024,982</u>
Total Long-Term Liabilities	<u>157,795,809</u>	<u>162,086,965</u>
Total Liabilities	<u>175,587,183</u>	<u>179,752,485</u>
<u>Net assets</u>		
Without donor restrictions	163,058,858	155,706,629
With donor restrictions	<u>64,768,283</u>	<u>66,138,904</u>
Total Net Assets	<u>227,827,141</u>	<u>221,845,533</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 403,414,324</u>	 <u>\$ 401,598,018</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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Operating revenues, gains and other support</u>			
Net tuition and fees	\$ 65,421,391	\$ -	\$ 65,421,391
Government grants and contracts	553,056	27,666	580,722
Private gifts and grants	6,121,154	5,772,952	11,894,106
Sales and services of continuing education	1,216,029	-	1,216,029
Sales and services of auxiliary enterprises	18,293,698	-	18,293,698
Investment return, net	490,523	20,513	511,036
Endowment distribution designated for operations	2,666,457	19,650	2,686,107
Other revenue	2,761,932	-	2,761,932
Total Operating Revenues and Gains	<u>97,524,240</u>	<u>5,840,781</u>	<u>103,365,021</u>
Net Assets Released from Restrictions	<u>7,597,922</u>	<u>(7,597,922)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>105,122,162</u>	<u>(1,757,141)</u>	<u>103,365,021</u>
<u>Operating expenses and losses</u>			
Education and general:			
Instruction	32,323,483	-	32,323,483
Academic support	20,911,122	-	20,911,122
Student services	9,210,585	-	9,210,585
Scholarships and stipends	324,066	-	324,066
Institutional support	14,413,261	-	14,413,261
Total Education and General	<u>77,182,517</u>	<u>-</u>	<u>77,182,517</u>
Auxiliary enterprises	<u>19,536,067</u>	<u>-</u>	<u>19,536,067</u>
Total Operating Expenses and Losses	<u>96,718,584</u>	<u>-</u>	<u>96,718,584</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>8,403,578</u>	<u>(1,757,141)</u>	<u>6,646,437</u>
<u>Nonoperating activities</u>			
Private gifts	56,570	1,150,084	1,206,654
Investment return, net	39,533	850,034	889,567
Endowment distribution designated for operations	(2,666,457)	(19,650)	(2,686,107)
Unrealized principal gain of true endowment	-	27,347	27,347
Change in value of split interest agreements	-	(102,290)	(102,290)
Change in donor designation	(100,000)	100,000	-
Net assets released from restrictions	<u>1,619,005</u>	<u>(1,619,005)</u>	<u>-</u>
Increase (Decrease) in Net Assets from Nonoperating Activities	<u>(1,051,349)</u>	<u>386,520</u>	<u>(664,829)</u>
Total Change in Net Assets	7,352,229	(1,370,621)	5,981,608
Net Assets at Beginning of Year	<u>155,706,629</u>	<u>66,138,904</u>	<u>221,845,533</u>
NET ASSETS AT END OF YEAR	<u>\$ 163,058,858</u>	<u>\$ 64,768,283</u>	<u>\$ 227,827,141</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 <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<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	<u>8,706,058</u>	<u>(8,706,058)</u>	<u>-</u>
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	<u>15,824,820</u>	<u>-</u>	<u>15,824,820</u>
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	<u>1,670,810</u>	<u>(1,670,810)</u>	<u>-</u>
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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>Cash flows from operating activities</u>		
Increase in net assets	\$ 5,981,608	\$ 8,593,137
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	18,945,486	17,223,126
Bond premium amortization	(900,323)	(917,597)
Loss on disposal of property and equipment	78,895	18,908
In-kind contributions of property and equipment	-	(399,190)
Realized and unrealized losses on investments	305,631	3,473,210
Acquisition of Ringling College Library Association	(1,877,098)	-
(Increase) decrease in current assets excluding cash and investments	146,415	(1,397,495)
Decrease in long-term contributions receivable	2,799,688	1,995,724
Increase in other non-current assets	(105,990)	(136,930)
Increase (decrease) in current liabilities excluding debt	(18,464)	1,076,968
Increase (decrease) in other long-term liabilities	(55,133)	53,192
Contributions received restricted for -		
Endowment	(1,687,477)	(1,624,152)
Property and equipment	(4,388,114)	(4,834,988)
Net cash provided by operating activities	<u>19,225,124</u>	<u>23,123,913</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	2,850,824	66,926,297
Purchase of investments	(2,963,880)	(68,378,704)
Proceeds from sale of property and equipment	61,900	12,000
Purchase of property and equipment	(31,889,196)	(27,330,525)
Cash from acquisition of Ringling College Library Association	709,550	-
Net cash used by investing activities	<u>(31,230,802)</u>	<u>(28,770,932)</u>
<u>Cash flows from financing activities</u>		
Contributions received restricted for -		
Endowment	1,687,477	1,624,152
Property and equipment	4,388,114	4,834,988
Principal repayments on debt	(3,226,912)	(3,123,063)
Net cash provided by financing activities	<u>2,848,679</u>	<u>3,336,077</u>
Net decrease in cash	(9,156,999)	(2,310,942)
Cash - Beginning of year	34,041,319	36,352,261
CASH - END OF YEAR	<u>\$ 24,884,320</u>	<u>\$ 34,041,319</u>
<u>RECONCILIATION OF CASH</u>		
Cash and cash equivalents	\$ 20,681,491	\$ 18,378,968
Cash and cash equivalents restricted by donors	1,514,540	1,189,575
Cash reserve for project fund	2,499,814	14,404,941
Cash and cash equivalents restricted for endowment	188,475	67,835
CASH - END OF YEAR	<u>\$ 24,884,320</u>	<u>\$ 34,041,319</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 7,122,270</u>	<u>\$ 6,723,328</u>
Non-cash in-kind contributions of capital assets	<u>\$ -</u>	<u>\$ 399,190</u>
Non-cash contributions of works of art	<u>\$ 424,000</u>	<u>\$ 73,100</u>
Non-cash capital assets in accounts payable	<u>\$ 1,698,523</u>	<u>\$ 2,086,154</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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 57 countries worldwide, with twenty nine 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, 2023 AND 2022

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 reflect scholarship allowances reducing tuition and fees of \$22,818,304 and \$21,838,597 at May 31, 2023 and 2022, 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 0.36% 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 \$24,582 and \$19,077 at May 31, 2023 and 2022, 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, 2023 and 2022, was \$639,794 and \$553,232, 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, 2023 AND 2022

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 \$5,819,872 and \$6,193,261 presented in other non-current assets on the statements of financial position, \$5,626,908 and \$5,297,908 as of May 31, 2023 and 2022, 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, 2023 AND 2022

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, a travel program and Ringling College Library Association 2024 Town Hall lecture series presales (see Note 9). PreCollege program and Town Hall lecture series start in June 2023 and January 2024, respectively. Revenue is recognized ratably over the period of program or presentation delivery, with 100 percent of the PreCollege and lecture series 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.

	Student <u>Deposits</u>	Deferred <u>Revenue</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	720,517	1,491,874
Revenue recognized, deposits applied/forfeited	(289,185)	(1,491,874)
Payments received for future performance obligations	<u>319,004</u>	<u>2,063,179</u>
Balance at May 31, 2023	<u>\$750,336</u>	<u>\$2,063,179</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 net assets without donor restriction 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 and private investments. 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.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expenses

The College expenses advertising costs for marketing materials as incurred, amounting to \$1,607,005 and \$1,307,538 for the years ended May 31, 2023 and 2022, respectively.

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, 2023 and 2022, were \$3,380,277 and \$2,839,960, 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, 2023 and May 31, 2022 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.

Litigation

The College is involved in certain litigation in the ordinary course of operations. The College, based on the advice of legal counsel, is of the opinion that the range of potential liability will not materially affect the financial position of the College.

Subsequent Events

The College has evaluated subsequent events through September 28, 2023, 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 2023 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.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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, 2023, the College had \$24,148,690 in cash and cash equivalents in excess of insured amounts.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment for the years ending May 31, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$263,186,716	\$236,971,729
Land and land improvements	56,749,894	55,048,343
Furniture, fixtures, equipment, and deposits	69,438,024	64,862,599
Library books	3,756,561	3,644,234
Computer equipment	41,997,493	35,718,747
Construction in progress	<u>7,234,472</u>	<u>16,013,422</u>
Total Plant Fixed Assets	442,363,160	412,259,074
Less accumulated depreciation	<u>(155,617,940)</u>	<u>(138,411,370)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$286,745,220</u>	 <u>\$273,847,704</u>

Total depreciation expense for the years ended May 31, 2023 and 2022 was \$18,466,107 and \$16,657,683, respectively. A new dining facility, Cunniffe Commons, was designed in 2019 and 2020, with final construction completed in 2023.

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 \$673,343 and \$1,016,035 during the years ended May 31, 2023 and 2022, respectively. Total interest cost incurred, inclusive of capitalized interest, was \$6,343,327 and \$5,890,867 during the years ended May 31, 2023 and 2022, respectively.

Detail of construction in progress for the years ending May 31, 2023 and 2022 consisted of:

	<u>2023</u>	<u>2022</u>
ERP Implementation	\$3,391,389	\$ -
Signature Building	1,309,126	49,500
Other Housing Renovations	1,110,482	-
Chilled Water Plant and Retrofits	555,114	73,465
Cunniffe Commons	267,070	14,288,772
Esports Renovation	264,445	-
Parking Lot at MLK	-	589,197
Trail Plaza Roofing	-	370,759
Museum Campus Floor Replacements	-	255,260
Bayou Village Renovations	10,754	10,754
Other	<u>336,846</u>	<u>375,715</u>
 Total Construction in Progress	 <u>\$7,234,472</u>	 <u>\$16,013,422</u>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2023 AND 2022

NOTE 4—PROPERTY AND EQUIPMENT (Continued)

Outstanding commitments not yet reflected in construction in progress include \$6,730,966 for ERP implementation, \$2,766,074 for Signature Building, \$1,297,948 for Chiller Plant Expansion, and \$173,191 for other housing renovations.

NOTE 5—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Contributions receivable have been discounted based on rates ranging from .09% to 5% at May 31, 2023 and 2022, respectively. Contributions receivable, net, are summarized as follows at May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 2,022,812	\$ 2,021,514
One year to five years	9,410,597	11,504,660
Greater than five years	<u>6,215,599</u>	<u>7,591,048</u>
	17,649,008	21,117,222
Less discount to net present value	(2,174,486)	(2,744,984)
Less allowance for uncollectible contributions receivable	<u>(1,782,460)</u>	<u>(2,158,717)</u>
	<u>\$13,692,062</u>	<u>\$16,213,521</u>

Contributions receivable reflected in the financial statements as of May 31, 2023 and 2022 are:

	<u>2023</u>	<u>2022</u>
Current assets	\$ 1,310,288	\$ 1,095,630
Non-current assets	10,576,840	12,875,564
Endowment	<u>1,804,934</u>	<u>2,242,327</u>
	<u>\$13,692,062</u>	<u>\$16,213,521</u>

Gross contributions receivable from College Board members, faculty, and staff amounted to approximately \$11,527,000 and \$12,180,000 at May 31, 2023 and 2022, respectively. The College received a conditional promise, which has not yet been recorded as support in the statements of activities, of \$9,000,000 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 24% and 23% of contributions receivable were due from one donor for the years ended May 31, 2023 and 2022, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

NOTE 6—INVESTMENTS

Investments, stated at fair value at May 31, 2023 and 2022, include:

	<u>2023</u>		<u>2022</u>	
	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>
Short-term				
Money market funds	\$ 2,255,158	\$ 2,255,158	\$ 1,149,227	\$ 1,149,227
Common stock	<u>614,951</u>	<u>614,951</u>	<u>574,621</u>	<u>574,621</u>
 TOTAL CURRENT ASSETS	 <u>\$ 2,870,109</u>	 <u>\$ 2,870,109</u>	 <u>\$ 1,723,848</u>	 <u>\$ 1,723,848</u>
 Long-term				
Money market funds	\$ 34,745	\$ 34,745	\$ 31,488	\$ 31,488
Mutual funds invested in:				
Debt securities	760,593	850,103	658,991	627,965
U.S. equity securities	<u>717,866</u>	<u>648,498</u>	<u>973,814</u>	<u>1,039,171</u>
Subtotal	1,513,204	1,533,346	1,664,293	1,698,624
Investment in property	<u>2,400,000</u>	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,700,000</u>
 TOTAL NON-CURRENT ASSETS	 <u>\$3,913,204</u>	 <u>\$3,233,346</u>	 <u>\$ 3,364,293</u>	 <u>\$3,398,624</u>
 Endowment				
Cash held for investment	\$904,854	\$904,854	\$1,378,821	\$1,378,821
Cash surrender value of				
life insurance contracts	8,183	19,890	9,952	21,659
Money market fund	771,418	771,418	4,354,392	4,354,392
Common stock	17,316,769	18,836,404	39,224,247	41,429,301
Mutual funds invested in:				
Debt securities	134,566	150,403	106,006	101,016
U.S. equity securities	21,671,352	21,258,603	9,418,594	9,449,418
U.S. government obligations	-	-	4,632,287	4,632,696
Corporate bonds	15,129,100	15,056,318	-	-
Foreign bonds	519,635	519,390	-	-
Alternative investments	<u>4,313,242</u>	<u>4,565,000</u>	<u>2,467,297</u>	<u>2,500,000</u>
 TOTAL ENDOWMENT	 <u>\$60,769,119</u>	 <u>\$62,082,280</u>	 <u>\$61,591,596</u>	 <u>\$63,867,303</u>
 TOTAL INVESTMENTS	 <u>\$67,552,432</u>	 <u>\$68,185,735</u>	 <u>\$66,679,737</u>	 <u>\$68,989,775</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 \$116,741 and \$170,385 for the years ended May 31, 2023 and 2022, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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, 2023 and 2022:

	<u>2023</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 474,201	\$ 146	\$ 474,347
Realized gain	3,176	-	3,176
Unrealized gain	13,146	20,367	33,513
Nonoperating Investment Return			
Interest and dividend income, net	444,925	812,541	1,257,466
Realized loss	(758,223)	(1,366,257)	(2,124,480)
Unrealized gain	352,831	1,403,751	1,756,582
Unrealized principal gain of true endowment	-	<u>27,347</u>	<u>27,347</u>
Total Investment Return	<u>530,056</u>	<u>897,894</u>	<u>1,427,950</u>
Investment return designated for current operations	<u>(2,666,457)</u>	<u>(19,650)</u>	<u>(2,686,107)</u>
INVESTMENT RETURN LONG-TERM	<u>\$(2,136,401)</u>	<u>\$878,245</u>	<u>\$(1,258,156)</u>
	<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	-	<u>(69,366)</u>	<u>(69,366)</u>
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>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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 \$1,780,924 at May 31, 2023, 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, 2023 and 2022, was \$883,287 and \$1,024,982, respectively.

The present value of contributions receivable from remainder trusts as of May 31, 2023 and 2022, was \$224,190 and \$287,762, respectively. The allowance was \$24,910 and \$31,974 at May 31, 2023 and 2022, respectively.

NOTE 8—LONG-TERM DEBT

Long-term debt at May 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Series 2009 Bonds	\$10,370,000	\$11,155,000
Series 2014 Bonds	6,350,000	7,860,000
Series 2017 Bonds	88,470,000	88,750,000
Series 2019 Bonds	39,955,000	40,325,000
2020 Loan Payable	<u>4,186,643</u>	<u>4,468,555</u>
Total	149,331,643	152,558,555
Add unamortized issuance premium	11,986,355	12,886,678
Less current portion	(3,335,700)	(3,226,912)
Less unamortized debt issuance costs	<u>(1,069,776)</u>	<u>(1,156,338)</u>
LONG-TERM DEBT	<u>\$156,912,522</u>	<u>\$161,061,983</u>

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

2023	\$ 3,335,700
2024	3,450,470
2025	3,570,208
2026	3,690,262
2027	3,820,402
Thereafter	<u>131,464,601</u>
TOTAL	<u>\$149,331,643</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, 2023 and 2022.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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 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, 2023 and 2022 was 4.99% and 1.67%, 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 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, 2023 and 2022 was 4.99% and 1.67%, respectively.

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 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 rate 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 rate ranging from 4% to 5%.

In 2020, the College obtained a \$5,000,000 fixed rate taxable loan from 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—ACQUISITION

On May 1, 2023, the College acquired all of the assets and assumed all of the liabilities of Ringling College Library Association, Inc. (RCLA), a not-for-profit organization that raises funds in support of the College, for no consideration paid. Assets acquired included cash and prepaid expenses, and liabilities assumed included accrued expenses and deferred revenue. The subsequent change in control of RCLA was accounted for as a business combination in accordance with Accounting Standards Codification (ASC), Topic 805, *Business Combinations*, and ASC 958-805-05, *Acquisition by a Not-for-Profit Entity*. As no consideration was paid, an inherent contribution of \$1,787,040, which represents the excess assets acquired over the liabilities assumed on the date of the acquisition, was recognized and reported as private gifts and grants in the statement of activities.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2023 AND 2022

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, 2023 and 2022 was \$931,108 and \$965,147, 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 \$2,312,833 and \$1,669,961; a current fair value of \$2,270,816 and \$1,600,595; and a deficiency of \$42,018 and \$69,366 as of May 31, 2023 and 2022, respectively. These deficiencies resulted from unfavorable market conditions that occurred after the investment of new perpetually restricted contributions.

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.

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, 2023 AND 2022

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, 2023 and 2022 are as follows:

	<u>2023</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Purpose/Time Restrictions</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	\$20,638,274	\$8,817,627	\$34,776,138	\$64,232,039
Investment return, net	64,609	150,034	-	214,643
Contributions	56,570	-	1,150,084	1,206,654
Principal gain of endowment	-	27,347	-	27,347
Distributions	(939,350)	(1,746,757)	-	(2,686,107)
Change in donor designation	-	-	100,000	100,000
Other changes	<u>-</u>	<u>-</u>	<u>(65,338)</u>	<u>(65,338)</u>
Change in Net Assets	<u>(818,171)</u>	<u>(1,569,376)</u>	<u>1,184,746</u>	<u>(1,202,801)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$19,820,103</u>	<u>\$7,248,251</u>	<u>\$35,960,884</u>	<u>\$63,029,238</u>
	<u>2022</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions Purpose/Time Restrictions</u>	<u>Perpetual in Nature</u>	<u>Total</u>
Endowment net assets, beginning of year	\$21,608,715	\$11,792,787	\$33,530,844	\$66,932,346
Investment return, net	(652,002)	(1,218,347)	-	(1,870,349)
Contributions	475,786	78,453	1,324,998	1,879,237
Principal loss 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>1,245,295</u>	<u>(2,700,306)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$20,638,274</u>	<u>\$8,817,627</u>	<u>\$34,776,139</u>	<u>\$64,232,040</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 from endowment net assets 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, 2023 AND 2022

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, 2023 and 2022 were:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose or passage of time:		
Capital	\$14,393,487	\$16,280,395
Departmental purposes	3,808,588	3,603,200
Time restricted	1,682,688	1,014,661
Scholarships	1,674,386	1,646,883
Long-term investment	<u>7,248,250</u>	<u>8,817,627</u>
	28,807,399	31,362,766
Subject to the restrictions in perpetuity, for which income is subject to spending policy appropriation:		
Departmental purposes	9,554,784	9,453,987
Institutional	918,772	843,772
Scholarships	<u>25,487,328</u>	<u>24,478,379</u>
	<u>35,960,884</u>	<u>34,776,138</u>
Net assets with donor restriction	<u>\$64,768,283</u>	<u>\$66,138,904</u>

The College released net assets with donor restrictions for the following purposes for the years ended May 31, 2023 and 2022:

Capital	\$5,459,238	\$6,989,539
Departmental purposes	1,483,213	1,148,837
Institutional	4,925	1,550
Scholarships	<u>2,269,551</u>	<u>2,236,942</u>
	<u>\$9,216,927</u>	<u>\$10,376,868</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, 2023 AND 2022

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, 2023 were:

	Academic Instruction	Academic Support	Student Services	Scholarships and Stipends	Auxiliary Enterprises	Institutional Support	Total Expenses
Operating expenses and losses:							
Personnel compensation	\$ 14,925,186	\$ 5,920,056	\$ 3,543,864	\$ -	\$ 1,327,848	\$ 5,327,392	\$ 31,044,345
Benefits	3,835,230	1,548,164	1,251,107	-	1,163,365	2,213,860	10,011,726
Supplies/equipment	726,402	1,653,296	386,371	-	129,640	995,669	3,891,378
Telephone/other communications	39,514	46,656	111,919	-	14,760	137,330	350,179
Marketing/Publications	134,095	419,249	370,630	-	10,364	672,667	1,607,005
Conferences/travel	448,390	235,264	347,566	-	17,039	317,511	1,365,770
Computers/technology	155,604	1,397,125	398,002	-	51,461	505,762	2,507,954
Contracted services	2,574,912	2,534,064	1,761,919	-	4,480,546	2,183,996	13,535,437
Student related expenses	328,722	18,347	220,866	324,066	3,321	-	895,322
Other expenses	-	6,563	-	-	276,946	17,108	300,617
Insurance	665,999	337,774	100,599	-	774,064	926,844	2,805,280
Utilities	1,000,808	618,135	133,034	-	1,522,782	110,651	3,385,410
Taxes	43,252	21,679	-	-	85,615	144,334	294,880
Interest/loan fees	1,601,929	648,605	183,541	-	3,180,543	84,281	5,698,900
Depreciation	5,841,837	5,024,810	400,925	-	6,422,881	775,655	18,466,107
Amortization	-	479,379	-	-	-	-	479,379
Losses	1,603	1,956	242	-	74,892	201	78,895
Total operating expenses	\$ 32,323,483	\$ 20,911,122	\$ 9,210,585	\$ 324,066	\$ 19,536,067	\$ 14,413,261	\$ 96,718,584

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	2,599	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

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, 2023 AND 2022

NOTE 15—LIQUIDITY (Continued)

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, 2023 and 2022, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$22,384,506	\$19,636,378
Short-term investments	2,870,109	1,723,848
Student accounts receivable	157,341	36,444
Contributions receivable	13,692,062	16,213,521
Other accounts receivable	48,374	125,694
Assets held in trust by others	224,190	287,762
Cash reserve for project fund	2,499,814	14,404,941
Investments in property	2,400,000	1,700,000
Other long-term investments	<u>62,282,323</u>	<u>63,255,889</u>
FINANCIAL ASSETS AT THE END OF THE YEAR	106,558,719	117,384,477
Less assets unavailable for general expenditures within one year:		
Restricted by donors for future capital projects	(11,799,518)	(13,920,092)
Restricted for future capital projects	(2,499,814)	(14,404,941)
Restricted by donors for use in future periods	(2,288,248)	(2,369,523)
Board designated endowment	(18,892,404)	(19,692,399)
Future expendable donor-restricted endowment	(5,061,684)	(6,646,734)
Retained donor-restricted perpetual endowment	(35,736,694)	(34,488,379)
Investments in property	(2,400,000)	(1,700,000)
Annuities	(1,780,924)	(1,932,014)
Assets held in trust by others	<u>(224,190)</u>	<u>(287,762)</u>
FINANCIAL ASSETS AVAILABLE FOR CASH		
GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 25,875,243</u>	<u>\$21,942,633</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, 2023 AND 2022

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, 2023 and 2022.

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 private investments totaled \$2,935,000 as of May 31, 2023. Direct private equity investments are generally valued at cost, unless there is an active secondary trading market in the securities, in which case, direct private equity investments are valued using market prices as of the close of the last business day of the statement period.

A summary of financial instruments, measured at fair value in accordance with the measurements described above, as of May 31, 2023 and 2022, is as follows:

<u>Description of investment</u>	<u>5/31/2023</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$3,061,321	\$ 3,061,321	\$ -	\$ -
Mutual funds	23,284,377	23,284,377	-	-
Common stocks	17,931,720	17,931,720	-	-
Corporate bonds	15,129,100	-	15,129,100	-
Foreign bonds	519,635	-	519,635	-
Cash surrender value of life insurance	8,183	-	8,183	-
Remainder trusts	<u>224,190</u>	<u>-</u>	<u>-</u>	<u>224,190</u>
Subtotal of investments, at fair value	60,158,526	44,277,418	15,656,918	224,190
Investments measured using NAV	4,248,242	-	-	-
Investments valued at cost	<u>65,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$64,471,768</u>	<u>\$44,277,418</u>	<u>\$15,656,918</u>	<u>\$224,190</u>

<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>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2023 AND 2022

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>\$11,526,736</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>(46,819,489)</u>
	d. Balance Pre-implementation property, plant and equipment, net	<u>176,188,805</u>
4.	Debt Financed Post-implementation property, plant and equipment, net Long-lived assets acquired with debt subsequent to May 31, 2019:	
	a. Equipment	1,487,808
	b. Land and land improvements	7,406,510
	c. Buildings and improvements	<u>51,836,279</u>
	d. Total property, plant and equipment, net acquired with debt exceeding 12 months	60,730,597
5.	Construction in progress – acquired subsequent to May 31, 2019	7,234,472
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>42,591,346</u>
7.	Total Property, Plant and Equipment, net – May 31, 2022	\$286,745,220

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2023 AND 2022

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>(22,667,040)</u>
	d.	Balance Pre-implementation debt	<u>92,370,137</u>
9.	Allowable post-implementation debt used for capitalized long-lived assets:		
	a.	Equipment	1,738,174
	b.	Land and land improvements	8,382,789
	c.	Buildings and improvements	58,522,599
	d.	Less subsequent debt repayments	<u>(3,265,291)</u>
	e.	Balance Post-implementation debt	65,378,271
10.	Construction in progress financed with long-term debt		-
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>\$157,748,408</u>

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
MAY 31, 2023

Primary Reserve Ratio:			
Expendable Net Assets:			
Statement of Financial Position (SFP) page 4: Net assets without donor restrictions	Net assets without donor restrictions		\$163,058,858
SFP page 4: Net assets with donor restrictions	Net assets with donor restrictions		64,768,283
Footnote (FN) 17, page 25, line 2: Unsecured related party receivable	Secured and Unsecured related party receivable	\$11,526,736	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivable		11,526,736
SFP page 3: Property and equipment at cost less accumulated depreciation	Property, plant and equipment, net (includes Construction in progress) - Total	286,745,220	
FN 17, page 25, line 3d: Balance Pre-implementation property, plant and equipment, net	Property, plant and equipment pre-implementation		176,188,805
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		60,730,597
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		42,591,346
FN 17, page 25, line 5: Construction in progress – acquired subsequent to May 31, 2019	Construction in progress		7,234,472
(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	157,748,408	
FN 17, page 26, line 8d: Balance Pre-implementation debt	Long-term debt - for long term purposes pre-implementation		92,370,137
FN17, page 26, line 9e: Balance Post-implementation debt	Long-term debt - for long term purposes post-implementation		65,378,271
FN 17, page 26, line 10: Construction in progress financed with long-term debt	Bonds for Construction in progress		0

RINGLING COLLEGE OF ART AND DESIGN
 FINANCIAL RESPONSIBILITY SUPPLEMENTAL SCHEDULE
 MAY 31, 2023

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		35,960,884
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		\$96,718,584
(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, 2023

Equity Ratio:			
Modified Net Assets:			
SFP page 4: Net assets without donor restrictions	Net assets without donor restrictions		\$163,058,858
SFP page 4: Net assets with donor restriction	Net assets with donor restrictions		64,768,283
(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	\$11,526,736	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivables		11,526,736
Modified Assets:			
SFP page 3: Total assets	Total assets		\$403,414,324
(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	\$11,526,736	
FN 17, page 25, line 2: Unsecured related party receivable	Unsecured related party receivables		11,526,736
Net Income Ratio:			
SOA page 5: Without Donor Restrictions column - Total Change in Net Assets	Change in Net Assets Without Donor Restrictions		\$7,352,229
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		104,170,813

RINGLING COLLEGE OF ART AND DESIGN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED MAY 31, 2023

	Federal Assistance Listing Number	Federal Grant or Other Federal Identification	Federal Expenditures
U.S. Department of Education			
<i>Student Financial Aid Cluster</i>			
Federal Supplemental Educational Opportunity Grant	84.007	P007A214730	\$ 191,813
Federal Work-Study Program	84.033	P033A214730	286,899
Federal Pell Grant Program	84.063	P063P213557	2,018,795
Federal Direct Student Loan Program	84.268	P268K223557	<u>17,589,489</u>
Total Student Financial Aid Cluster			<u>20,086,996</u>
<i>Higher Education Emergency Relief Fund</i>			
CARES Act Emergency Funding - Student Portion	84.425E	P425E204443	72,066
Total Higher Education Emergency Relief Fund			<u>72,066</u>
Total U.S. Department of Education			<u>20,159,062</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 20,159,062</u></u>
	State CSFA Number	State Grant or Other State Identification	State Expenditures
Florida Department of Education			
Florida Effective Access to Student Education	48.064		\$ 768,000
Florida Private Student Assistance Grant	48.054		217,559
Florida Bright Futures Scholarship Project	48.059		594,792
Children and Spouses of Deceased or Disabled Veterans or Service Members	48.055		<u>12,660</u>
Total Florida Student Financial Aid			1,593,011
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><u>\$ 1,602,211</u></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, 2023

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, 2023.

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, 2023.

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 and 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, 2023:

	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, 2023:

	Student Portion	Institutional Portion	Total
Expended			
HEERF I	\$ -	\$ -	\$ -
HEERF II	-	-	-
HEERF III	<u>72,066</u>	-	<u>72,066</u>
	<u>\$72,066</u>	<u>\$-</u>	<u>\$72,066</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, 2023, 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 28, 2023.

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 28, 2023

**Report of Independent Auditor on Compliance for the Major Federal Award 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 the Major Federal Program and State Financial Assistance Project

Opinion on the 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 *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 the College's major federal program and state financial assistance project for the year ended May 31, 2023. The College's major federal program and state financial assistance project 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 its major federal program and state financial assistance project for the year ended May 31, 2023.

Basis for Opinion on the 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 its major federal program and state financial assistance project. 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 program and state financial assistance project.

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 its major federal program and state financial assistance project 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.

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 in internal control over compliance 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 28, 2023

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects
 Year Ended May 31, 2023

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 and projects:

Federal programs	\$ 750,000
State projects	\$ 480,663

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

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects (continued)
 Year Ended May 31, 2023

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 _____ yes x 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

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, 2023

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.

There were no findings required to be reported on the Schedule of Findings and Questioned Costs.

Part IV - Prior Year Findings

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

Status - The College has refunded the Florida Department of Education questioned costs totaling \$2,841 for the one student identified.

This finding is not repeated in the current year.

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, 2023, and have issued our report thereon dated September 28, 2023.

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 did not note any such findings.

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 28, 2023