

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2017 AND 2016

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

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Report of Independent Auditor

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

Report on the Financial Statements

We have audited the accompanying statements of financial position of Ringling College of Art and Design (the "College") as of May 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of May 31, 2017 and 2016, 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* and Chapter 10.650, Rules of the Florida Auditor General, is presented for purposes of additional analysis and is 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 August 22, 2017, 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 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.

Handwritten signature of Cheryl Behrman in cursive script.

Orlando, Florida
August 22, 2017

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 13,354,761	\$ 15,276,741
Short-term investments	-	1,013,190
Accounts receivable - students	100,180	84,614
Contributions receivable, net of long-term portion	2,273,489	1,665,097
Other receivables	370,070	419,793
Prepaid expenses and other assets	1,910,423	1,840,855
	<u>18,008,923</u>	<u>20,300,290</u>
 <u>Non-current assets</u>		
Cash and cash equivalents restricted by donors	812,241	533,436
Long-term investments	7,871,350	9,537,580
Long-term contributions receivable	9,409,719	9,314,664
Investment in property	2,065,000	2,465,000
Other non-current assets	7,052,409	6,067,409
	<u>27,210,719</u>	<u>27,918,089</u>
 <u>Endowment</u>		
Cash and cash equivalents restricted for endowment	308,059	225,328
Contributions receivable restricted for endowment	1,714,934	1,008,842
Contributions receivable from remainder trusts	344,718	335,581
Long-term investments	45,121,148	40,521,387
	<u>47,488,859</u>	<u>42,091,138</u>
 <u>Property and equipment</u>		
at cost less accumulated depreciation	147,878,425	122,256,123
	<u>147,878,425</u>	<u>122,256,123</u>
 TOTAL ASSETS	<u>\$ 240,586,926</u>	<u>\$ 212,565,640</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2017 AND 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current liabilities</u>		
Accounts payable	\$ 5,152,722	\$ 4,276,978
Accrued salaries and wages	4,217,831	4,156,161
Other accrued expenses	1,007,503	965,798
Notes payable	577,678	-
Current portion of long-term debt	1,850,000	1,805,000
Current portion of long-term capital lease	61,000	-
Student deposits	598,867	522,690
Deferred revenue	1,287,846	1,003,142
Amounts held in custody for others	106,714	58,151
	<u>14,860,161</u>	<u>12,787,920</u>
Total Current Liabilities		
<u>Long-term liabilities</u>		
Long-term debt, net of current portion and net issuance	68,071,008	59,073,343
Capital lease obligation, net of current portion	4,792,717	-
Annuity payable	1,400,377	1,409,225
Interest rate swap liability	585,460	1,460,465
Amounts held in custody for others	283,958	252,080
	<u>75,133,520</u>	<u>62,195,113</u>
Total Long-Term Liabilities		
Total Liabilities	<u>89,993,681</u>	<u>74,983,033</u>
<u>Net assets</u>		
Unrestricted	63,504,506	59,081,937
Temporarily restricted	64,110,762	57,522,901
Permanently restricted	22,977,977	20,977,769
	<u>150,593,245</u>	<u>137,582,607</u>
Total Net Assets		
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 240,586,926</u>	<u>\$ 212,565,640</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MAY 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Operating revenues, gains and other support</u>				
Gross tuition and fees	\$ 56,016,018	\$ -	\$ -	\$ 56,016,018
Less: Scholarship allowance	(12,716,556)	-	-	(12,716,556)
Net tuition and fees	43,299,462	-	-	43,299,462
Government grants and contracts	275,696	802,471	-	1,078,167
Private gifts and grants	1,090,664	11,010,699	-	12,101,363
Sales and services of continuing education	1,293,110	-	-	1,293,110
Sales and services of auxiliary enterprises	11,474,427	-	-	11,474,427
Investment income	3,423	26,936	-	30,359
Endowment distribution designated for operations	1,217,206	50,032	-	1,267,238
Other revenue	626,451	-	-	626,451
Total Operating Revenues and Gains	59,280,439	11,890,138	-	71,170,577
Net Assets Released from Restrictions	6,589,926	(6,589,926)	-	-
Total Operating Revenues, Gains and Other Support	65,870,365	5,300,212	-	71,170,577
<u>Operating expenses and losses</u>				
Education and general:				
Instruction	24,574,959	-	-	24,574,959
Academic support	10,303,257	-	-	10,303,257
Student services	6,411,343	-	-	6,411,343
Scholarships and stipends	182,970	-	-	182,970
Institutional support	12,395,916	-	-	12,395,916
Total Education and General	53,868,445	-	-	53,868,445
Auxiliary enterprises	8,696,710	-	-	8,696,710
Total Operating Expenses and Losses	62,565,155	-	-	62,565,155
Increase in Net Assets from Operating Activities	3,305,210	5,300,212	-	8,605,422
<u>Nonoperating activities</u>				
Private gifts	8,600	46,868	1,991,891	2,047,359
Interest and dividend income	505,922	561,919	-	1,067,841
Net realized and unrealized gain on investments	1,705,926	1,555,849	-	3,261,775
Endowment distribution designated for operations	(1,217,206)	(50,032)	-	(1,267,238)
Unrealized principal gain of true endowment	29,689	-	-	29,689
Unrealized gain on interest rate swap	875,005	-	-	875,005
Change in value of split interest agreements	-	(135,839)	8,317	(127,522)
Loss on sale of property	(1,514,433)	-	-	(1,514,433)
Change in value of gifted artwork	-	32,740	-	32,740
Net assets released from restrictions	723,856	(723,856)	-	-
Increase in Net Assets from Nonoperating Activities	1,117,359	1,287,649	2,000,208	4,405,216
Total Change in Net Assets	4,422,569	6,587,861	2,000,208	13,010,638
Net Assets at Beginning of Year	59,081,937	57,522,901	20,977,769	137,582,607
NET ASSETS AT END OF YEAR	<u>\$ 63,504,506</u>	<u>\$ 64,110,762</u>	<u>\$ 22,977,977</u>	<u>\$ 150,593,245</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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>Operating revenues, gains and other support</u>				
Gross tuition and fees	\$ 50,916,671	\$ -	\$ -	\$ 50,916,671
Less: Scholarship allowance	(10,372,529)	-	-	(10,372,529)
Net tuition and fees	40,544,142	-	-	40,544,142
Government grants and contracts	274,038	-	-	274,038
Private gifts and grants	1,159,207	9,933,133	-	11,092,340
Sales and services of continuing education	886,786	-	-	886,786
Sales and services of auxiliary enterprises	10,234,074	-	-	10,234,074
Investment income	91,817	30,211	-	122,028
Endowment distribution designated for operations	1,599,973	-	-	1,599,973
Other revenue	627,909	-	-	627,909
Total Operating Revenues and Gains	55,417,946	9,963,344	-	65,381,290
Net Assets Released from Restrictions	5,735,765	(5,735,765)	-	-
Total Operating Revenues, Gains and Other Support	61,153,711	4,227,579	-	65,381,290
<u>Operating expenses and losses</u>				
Education and general:				
Instruction	22,587,012	-	-	22,587,012
Academic support	9,216,843	-	-	9,216,843
Student services	6,496,826	-	-	6,496,826
Scholarships and stipends	189,275	-	-	189,275
Institutional support	12,228,964	-	-	12,228,964
Total Education and General	50,718,920	-	-	50,718,920
Auxiliary enterprises	8,035,608	-	-	8,035,608
Total Operating Expenses and Losses	58,754,528	-	-	58,754,528
Increase in Net Assets from Operating Activities	2,399,183	4,227,579	-	6,626,762
<u>Nonoperating activities</u>				
Private gifts	156,343	-	553,041	709,384
Interest and dividend income	510,244	591,277	-	1,101,521
Net realized and unrealized loss on investments	(1,845,871)	(2,001,562)	-	(3,847,433)
Endowment distribution designated for operations	(1,599,973)	-	-	(1,599,973)
Unrealized principal loss of true endowment	(29,689)	-	-	(29,689)
Unrealized gain on interest rate swap	753,614	-	-	753,614
Change in value of split interest agreements	-	(98,818)	(26,500)	(125,318)
Gain on sale of gift-in-kind	500	-	-	500
Change in donor designation	(20,053)	-	20,053	-
Change in value of gifted artwork	(11,000)	-	-	(11,000)
Net assets released from restrictions	795,023	(795,023)	-	-
Increase (Decrease) in Net Assets from Nonoperating Activities	(1,290,862)	(2,304,126)	546,594	(3,048,394)
Total Change in Net Assets	1,108,321	1,923,453	546,594	3,578,368
Net Assets at Beginning of Year	57,973,616	55,599,448	20,431,175	134,004,239
NET ASSETS AT END OF YEAR	<u>\$ 59,081,937</u>	<u>\$ 57,522,901</u>	<u>\$ 20,977,769</u>	<u>\$ 137,582,607</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, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash flows from operating activities</u>		
Increase in net assets	\$ 13,010,638	\$ 3,578,368
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	10,316,939	9,941,517
Change in interest rate swap liability	(875,005)	(753,614)
Loss on disposal of property and equipment	90,937	414,895
Loss on sale of property	1,514,433	-
In-kind contributions of property and equipment	(715,863)	(388,021)
Realized and unrealized (gains) and losses on investments	(3,176,338)	4,083,737
Increase in current assets excluding cash and investments	(644,265)	(435,343)
Increase in long-term contributions receivable	(810,284)	(499,017)
Increase in other non-current assets	(1,005,000)	(661,757)
Increase (decrease) in current liabilities excluding debt	(451,673)	2,374,888
Increase (decrease) in other long-term liabilities	79,130	(264,408)
Contributions received restricted for -		
Endowment	(1,285,800)	(796,860)
Property and equipment	(4,178,894)	(3,584,959)
Net cash provided by operating activities	<u>11,868,955</u>	<u>13,009,426</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	6,409,650	10,620,042
Proceeds from sale of property and equipment	1,820,572	-
Purchase of investments	(4,753,653)	(2,477,841)
Purchase of property and equipment	(31,340,796)	(23,434,869)
Net cash used by investing activities	<u>(27,864,227)</u>	<u>(15,292,668)</u>
<u>Cash flows from financing activities</u>		
Deposited from (into) accounts restricted for -		
Endowment	(82,731)	41,629
Long-term purposes	(278,805)	4,340,161
Contributions received restricted for -		
Endowment	1,285,800	796,860
Property and equipment	4,178,894	3,584,959
Debt issuance costs, net	(123,388)	(50,775)
Payments on capital leases	(16,431)	-
Proceeds of long-term debt	10,914,953	-
Principal repayments on debt	(1,805,000)	(1,700,000)
Net cash used by financing activities	<u>14,073,292</u>	<u>7,012,834</u>
Net increase (decrease) in cash	(1,921,980)	4,729,592
Cash - Beginning of year	15,276,741	10,547,149
CASH - END OF YEAR	<u>\$ 13,354,761</u>	<u>\$ 15,276,741</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	<u>\$ 2,142,183</u>	<u>\$ 1,957,690</u>
Non-cash in-kind contributions of capital assets	<u>\$ 715,863</u>	<u>\$ 388,021</u>
Non-cash contributions of works of art	<u>\$ 8,600</u>	<u>\$ 156,343</u>
Non-cash capital assets acquired through capital lease	<u>\$ 4,870,148</u>	<u>\$ -</u>
Non-cash capital assets in accounts payable	<u>\$ 2,417,914</u>	<u>\$ 2,272,436</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

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 offering degrees in advertising design, business of art and design, computer animation, creative writing, film, fine arts, game art, graphic design, illustration, interior design, motion design, photography and imaging, and visual studies. The College enrolls over 1,300 students from the United States and nearly 60 countries worldwide. The College provides lifelong learning classes in the visual and liberal arts through its School of Continuing Studies, which includes art centers and the Ringling College Lifelong Learning Academy (RCLLA). An art center is located in Englewood. In 2017 and 2016, prior to its sale, the College also operated an art center in Longboat Key. The College entered into an agreement with the Town of Longboat Key to provide preliminary design and programming for a new Arts, Culture, and Education Center to be located in the Town Center. This facility will be supported through philanthropy, owned by the Town, and operated by the College once constructed.

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. This has been done by classification of fund transactions and balances into three categories for net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions that do not expire.

Operating and Nonoperating Activities

The accompanying statements of activities report the change in unrestricted, temporarily restricted, and permanently restricted net assets, distinguishing between operating and nonoperating activities. Operating revenues consist of all the activity 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, changes in the fair value of the interest rate swap agreements, and certain unusual or non-recurring items.

Expiration of Donor-Imposed Restrictions

The expiration of a donor-imposed restriction on a contribution or on endowment income is recognized in the period in which the restriction expires and at that time the related resources are reclassified to unrestricted net assets. 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 unrestricted support. It is also the College's policy to recognize an implied time restriction on contributions received for long-lived assets. These restrictions expire over the useful life of the related asset received or acquired.

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.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$43,411 and \$52,538 at May 31, 2017 and 2016, respectively.

Student Deposits

Student deposits represent payments that will be 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.

Contributions Receivable

Contributions receivable are recorded at their estimated fair value at the date of the gift, less an appropriate reserve for uncollectible amounts. Amounts scheduled to be received after one year are discounted using the appropriate risk-free rate. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions. The College does not require collateral in relation to these receivables.

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. Fair value for alternative investments is estimated based on the College's proportionate share of the underlying fair value of the investments as determined by the external investment manager and are reviewed by the College's investment advisers and Investment Committee. 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 unrestricted net assets unless the income or loss is restricted by the donor.

The College's investments include various types of securities which are exposed to various risks such as interest rate, market, and credit risk. Due to the level of risk associated with certain securities and the level of uncertainty related to changes in the value of securities, it is possible that changes in risks in the near term could materially affect the amounts reported in the financial statements. Quantitative information for level 2 and level 3 valuation inputs and related sensitivities is maintained by third parties and is not reasonably available to the College.

Endowment

Endowment consists of funds functioning as endowment and true endowment funds. Funds functioning as endowment are board-designated funds whose income is unrestricted. 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.

Fund-Raising Expenses

Fund-raising expenses are included in institutional support on the statement of activities. Total fund-raising expenses for the years ended May 31, 2017 and 2016, were \$2,284,976 and \$2,135,944, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Expenses

The College expenses advertising costs for marketing materials as incurred, amounting to \$1,072,592 and \$1,092,503 for the years ended May 31, 2017 and 2016, 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, 2017 and 2016, was \$81,698 and \$168,599, 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.

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

Land improvements	5-15 years
Buildings and improvements	10-40 years
Furniture, fixtures, vehicles, and equipment	5-10 years
Library books	10 years
Computer equipment	3 years

Depreciation for leasehold improvements is based upon the life of the related lease unless the improvements have a shorter useful life.

Interest Rate Swap Liability

The interest rate swap liability on the statement of financial position is presented at fair value, based on valuation models and assumptions applied by the counterparty to the swap agreements. Changes in the fair value of derivatives are recorded as unrealized loss or gain on interest rate swap on the statement of activities. Using derivative financial instruments may increase the College's exposure to credit risk and market risk. The College minimizes the credit (or repayment) risk in derivative instruments by entering into transactions with high-quality counterparties and monitoring the counterparties' financial condition. Market risk is the adverse effect on the value of a derivative financial instrument that results from a change in interest rates. The College manages the market risk associated with derivative financial instruments by requiring Board of Trustees' approval for all such activities.

Federal Income Tax

A ruling from the U.S. Treasury Department, dated May 19, 1938, states that Ringling School of Art and Design 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 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, 2017 and May 31, 2016 and, accordingly, no liability has been accrued.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 nine 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 7.6%. Subsequent revaluations of the annuity payable are based upon a risk-free rate for terms based upon actuarially determined mortality rates.

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 \$7,052,409 and \$6,067,409 presented in Other non-current assets on the statements of financial position, \$4,565,328 and \$4,671,428 as of May 31, 2017 and 2016, 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 unrestricted net assets in the year in which the items are acquired or in temporarily restricted net assets if the assets used to purchase the items are restricted by donors.

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.

Reclassifications

Certain reclassifications are reflected in the 2016 presentation to conform to the 2017 presentation.

Subsequent Events

The College has evaluated subsequent events through August 22, 2017, in connection with the preparation of these financial statements, which is the date the financial statements were issued (see Note 20).

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
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NOTE 2—FEDERAL FINANCIAL AID

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

NOTE 3—CONCENTRATIONS OF CREDIT RISK

The College maintains its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation ("FDIC") covers all accounts at a single depository institution up to \$250,000. As of May 31, 2017, the College had \$15,131,712 in cash and cash equivalents in excess of insured amounts.

NOTE 4—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Contributions receivable, net, are summarized as follows at May 31, 2017, and 2016.

	<u>2017</u>	<u>2016</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,171,735	\$ 2,427,504
One year to five years	7,137,415	7,178,549
Greater than five years	<u>8,109,309</u>	<u>7,746,809</u>
	18,418,459	17,352,862
Less discount to net present value	(2,517,868)	(2,522,859)
Less allowance for uncollectible contributions receivable	<u>(2,502,449)</u>	<u>(2,841,400)</u>
	<u>\$13,398,142</u>	<u>\$11,988,603</u>

Contributions receivable are reflected in the financial statements as of May 31, 2017 and 2016 as:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 2,273,489	\$ 1,665,097
Non-current assets	9,409,719	9,314,664
Endowment	<u>1,714,934</u>	<u>1,008,842</u>
	<u>\$13,398,142</u>	<u>\$11,988,603</u>

Contributions receivable have been discounted based on rates ranging from .12% to 5% at May 31, 2017, and 2016, respectively.

The College received two conditional promises which have not yet been recorded as support in the statement of activities. The first is subject to the commencement of construction for the Sarasota Museum of Art and at May 31, 2017, \$300,000 has been promised, \$270,000 of which has been received and recorded as funds held for others. The second is subject to securing sufficient resources from fundraising activities to support \$1,800,000 for student scholarships and \$1,200,000 for the library collection and operations.

RINGLING COLLEGE OF ART AND DESIGN
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NOTE 4—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED (Continued)

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.

NOTE 5—INVESTMENTS

Investments, stated at fair value, at May 31, 2017, and 2016, include:

	<u>2017</u>		<u>2016</u>	
	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>
Short-term				
Money market funds	\$ -	\$ -	\$ 822,779	\$ 822,779
Corporate bonds	-	-	<u>190,411</u>	<u>196,051</u>
TOTAL SHORT-TERM	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,190</u>	<u>\$ 1,018,830</u>
Long-term				
Money market funds	\$ 2,434,195	\$ 2,434,195	\$ 46,609	\$ 46,609
Common stock	72,000	506,250	85,500	506,250
Mutual funds invested in:				
Debt securities	919,374	926,608	1,184,991	1,189,237
U.S. equity securities	591,087	493,887	664,229	622,874
Int'l equity securities	239,328	213,496	345,794	384,190
Corporate bonds	<u>3,615,366</u>	<u>3,795,076</u>	<u>7,210,457</u>	<u>7,424,028</u>
Subtotal	7,871,350	8,369,512	9,537,580	10,173,188
Investment in property	<u>2,065,000</u>	<u>2,200,000</u>	<u>2,465,000</u>	<u>2,200,000</u>
TOTAL NON-CURRENT ASSETS	<u>\$ 9,936,350</u>	<u>\$10,569,512</u>	<u>\$12,002,580</u>	<u>\$12,373,188</u>
Endowment				
Cash held for investment	\$ 404,600	\$ 404,600	\$ 380,682	\$ 380,682
Cash surrender value of life insurance contracts	17,461	29,168	18,281	29,988
Mutual funds invested in:				
Debt securities	13,280,947	13,193,103	8,839,238	8,823,854
U.S. equity securities	21,473,989	19,081,942	14,982,928	14,985,794
Int'l equity securities	9,821,577	8,536,656	14,136,215	14,167,817
Alternative investments:				
Long biased	-	-	944,510	1,000,000
Absolute return	122,574	100,003	1,184,295	1,000,000
Distressed opport. fund	-	-	<u>35,238</u>	<u>20,643</u>
TOTAL ENDOWMENT	<u>\$45,121,148</u>	<u>\$41,345,472</u>	<u>\$40,521,387</u>	<u>\$40,408,778</u>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 5—INVESTMENTS (Continued)

Investment in property reflects contributions of real estate under gift annuity agreements. The College incurs investment management and investment consulting fees which are reported as a reduction of investment earnings of \$15,746 and \$301,073 for the years ended May 31, 2017, and 2016, respectively.

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, 2017, and 2016:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Investment Return				
Interest income	\$ 3,796	\$ 137,371	\$ -	\$ 141,167
Realized losses	(373)	(134,613)	-	(134,986)
Unrealized gains	-	24,178	-	24,178
Nonoperating Investment Return				
Interest and dividend income	505,922	561,919	-	1,067,841
Realized losses	(211,588)	(238,923)	-	(450,511)
Unrealized gains	1,917,514	1,794,772	-	3,712,286
Unrealized principal gain of true endowment	<u>29,689</u>	<u>-</u>	<u>-</u>	<u>29,689</u>
Total Investment Return	2,244,960	2,144,704	-	4,389,664
Investment return designated for current operations	<u>(1,217,206)</u>	<u>(50,032)</u>	<u>-</u>	<u>(1,267,238)</u>
INVESTMENT RETURN LONG-TERM	<u>\$1,027,754</u>	<u>\$2,094,672</u>	<u>\$-</u>	<u>\$3,122,426</u>
	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating Investment Return				
Interest income	\$ 137,930	\$ 181,758	\$ -	\$ 319,688
Realized losses	(62,494)	(175,454)	-	(237,948)
Unrealized gains	16,381	23,907	-	40,288
Nonoperating Investment Return				
Interest and dividend income	510,244	591,277	-	1,101,521
Realized losses	(252,780)	(275,377)	-	(528,157)
Unrealized losses	(1,593,091)	(1,726,185)	-	(3,319,276)
Unrealized principal loss of true endowment	<u>(29,689)</u>	<u>-</u>	<u>-</u>	<u>(29,689)</u>
Total Investment Return	(1,273,499)	(1,380,074)	-	(2,653,573)
Investment return designated for current operations	<u>(1,599,973)</u>	<u>-</u>	<u>-</u>	<u>(1,599,973)</u>
INVESTMENT RETURN LONG-TERM	<u>\$(2,873,472)</u>	<u>\$(1,380,074)</u>	<u>\$-</u>	<u>\$(4,253,546)</u>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 5—INVESTMENTS (Continued)

Alternative investments consist of funds of hedge fund holdings. The College provided notice for redemption 60-100 days prior to a fixed redemption time, depending upon the investment. There are no future funding commitments. The long biased fund is an equity-focused directional fund of hedge funds averaging between 20% to 70% net long exposure and has an objective to outperform the U.S. equity markets over a full cycle. The absolute return fund of hedge funds is comprised of strategies that are generally non-directional in nature and are designed to neutralize market risk and provide a return greater than fixed income over a full cycle with less volatility than the equity market. Remaining alternative investments include the absolute return fund of hedge funds which is in the process of liquidation and the assets held within the fund are minimal.

NOTE 6—PROPERTY AND EQUIPMENT

Property and equipment for the years ending May 31, 2017, and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$28,855,005	\$ 29,044,997
Buildings	117,052,657	96,076,282
Buildings under capital lease	4,870,148	-
Furniture, fixtures, equipment, and deposits	35,037,814	30,529,655
Library books	3,136,868	3,027,095
Computer equipment	32,019,225	27,778,994
Construction in progress	18,763,524	19,534,847
Leasehold improvements	<u>799,927</u>	<u>91,380</u>
Total Plant Fixed Assets	240,535,168	206,083,250
Less accumulated depreciation	<u>(92,656,743)</u>	<u>(83,827,127)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$147,878,425</u>	 <u>\$122,256,123</u>

Total depreciation expense for the years ended May 31, 2017, and 2016, was \$10,296,939 and \$9,890,191, respectively. Construction of the Goldstein Library was completed in 2017. Construction of the Basch Visual Arts Center and work on the Soundstages/Post Production site commenced in 2016 while construction of the Post Production building began in 2017. Exterior renovations of Sarasota High School and design modifications were undertaken in 2015 through 2017. New projects for a chilled water plant and a residential facility entered the design stages during 2016 and 2017, respectively.

Detail of construction in progress projects for the years ending May 31, 2017, and 2016 consisted of:

	<u>2017</u>	<u>2016</u>
Goldstein Library	\$ -	\$10,773,689
Sarasota High School	5,923,416	5,012,715
Basch Visual Arts Center	6,083,670	1,584,463
Chilled Water Plant	1,206,492	424,320
Post Production	2,776,079	401,838
Soundstage/Post Production Site	1,421,682	685,611
Residential Facility	905,596	-
Other	<u>446,589</u>	<u>652,211</u>
	<u>\$18,763,524</u>	<u>\$19,534,847</u>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 6—PROPERTY AND EQUIPMENT (Continued)

Outstanding commitments not yet reflected in construction in progress total approximately \$2,959,000 for the Sarasota High School, \$3,898,000 for the Post Production building and related site improvements, \$7,226,000 for the Chilled Water Plant, and \$2,403,000 for the Basch Visual Arts Center.

NOTE 7—LONG-TERM DEBT

Long-term debt at May 31, 2017, and 2016, consisted of the following:

	<u>2017</u>	<u>2016</u>
Series 2009 Loan	\$14,740,000	\$15,395,000
Series 2010 Loan	30,000,000	30,000,000
Series 2014 Loan	14,470,000	15,620,000
Loan Payable	<u>10,914,953</u>	-
Total	70,124,953	61,015,000
Less current portion	(1,850,000)	(1,805,000)
Less unamortized debt issuance costs	<u>(203,945)</u>	<u>(136,657)</u>
 LONG-TERM DEBT	 <u>\$68,071,008</u>	 <u>\$59,073,343</u>

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

2018	\$ 1,850,000
2019	2,997,000
2020	3,097,000
2021	3,172,000
2022	3,287,000
Thereafter	<u>55,721,953</u>
 TOTAL	 <u>\$70,124,953</u>

All Series Loans 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 at May 31, 2017 and 2016.

Series 2009 Bonds were issued to refund the Series 2004 Bonds and are subject to partial mandatory sinking fund redemption each March 1, through March 2034. The 2009 Bonds were sold to SunTrust Bank under the terms of a Guaranty and Credit Agreement dated December 1, 2009 as a tax-exempt bank-qualified loan and are subject to put options on December 1, 2014, 2019, 2024 and 2029. SunTrust has waived its option in regards to the 2014 put date. The variable rate as of May 31, 2017 and 2016 was 2.34% and 1.97%, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 7—LONG-TERM DEBT (Continued)

Series 2010 Bonds were issued to refund \$30,000,000 of the Series 2008 Bonds and are subject to partial mandatory sinking fund redemption each March 1, beginning in 2027 through March 2038. The 2010 Bonds were sold to PNC Bank under the terms of a Guaranty and Credit Agreement dated December 1, 2010 as a tax-exempt bank-qualified loan and are subject to put options on December 1, 2015, 2020, 2025, 2030 and 2035. PNC has waived its option in regards to the 2015 put date. The variable rate as of May 31, 2017 and 2016 was 2.15% and 1.79%, respectively.

Series 2014 Bonds were issued to refund the remaining Series 2008 Bonds and are subject to partial mandatory sinking fund redemption each March 1, beginning in 2015 through 2026. The 2014 Bonds were sold to SunTrust 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, 2017 and 2016 was 1.67% and 1.30%, respectively.

The interest rate on approximately 50% of the outstanding variable rate debt is effectively fixed through a swap agreement at 4.651% (see Note 8).

The College obtained a \$20,000,000 taxable loan from SunTrust Bank to provide interim construction financing for certain capital projects, for which \$10,914,953 was outstanding at May 31, 2017. The loan is secured by capital campaign pledges and is subject to put options at two and four years from origination. Interest is variable, based upon 1.85% plus 30-day LIBOR. The variable rate as of May 31, 2017 was 2.84%.

NOTE 8—INTEREST RATE SWAP AGREEMENTS

On July 7, 2008, the College entered into a \$26,525,000 swap transaction with a termination date of March 1, 2018. Under the terms of the agreement, the College paid a fixed rate of 3.615% to SunTrust Bank on a monthly basis and, in return, SunTrust Bank paid the College based on the BMA Municipal Swap Index. Effective December 1, 2010, the swap transaction was amended to pay a fixed rate of 4.651% to SunTrust Bank on a monthly basis and, in return, SunTrust Bank pays the College 65% of LIBOR plus 1.50%. At March 1, 2014, the notional amount was increased to \$32,915,000 to reflect the termination of the 2004 swap transaction. At May 31, 2017 and 2016, the swap had a notional amount of \$30,260,000 and \$31,185,500, respectively.

For both agreements, the difference between interest earned and the interest obligation accrued is recorded as interest expense. The interest rate swap agreements can be terminated by the counterparty only under events of default and termination events, which management believes are unlikely to happen. The estimated fair value of these agreements, based on various factors related to the underlying debt facility and interest rates, represents an unrealized loss of \$585,460 and \$1,460,465 as of May 31, 2017 and 2016, respectively.

NOTE 9—LEASE COMMITMENTS

Capital Leases

Effective March 1, 2017, the College leases two soundstage buildings under a twenty year capital lease to finance the acquisition of the assets through the lease and accordingly, it is recorded in the College's assets and liabilities. The lease contains various buy-out provisions. The Sarasota High School Building, which is being transformed into a continuing education center with a museum of modern and contemporary art, is being leased for 99 years, under a lease initiated in 2008, and amended in 2017 to include an adjacent building, unless terminated according to the provisions of the lease agreement, with consideration of \$1 per year.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 9—LEASE COMMITMENTS (Continued)

The amortization of assets held under capital lease is included with depreciation expense.

Buildings under capital lease	\$4,870,148
Less accumulated depreciation	<u>(40,585)</u>
	<u>\$4,829,563</u>

The following is a schedule by years of future minimum payments required under the lease together with their present value as of May 31, 2017:

2018	\$ 660,000
2019	660,000
2020	660,000
2021	660,000
2022	660,000
Thereafter	<u>9,735,020</u>
Total minimum lease payments	13,035,020
Less amount representing interest	<u>(8,181,303)</u>
Present value of minimum lease payments	<u>\$ 4,853,717</u>

Operating Leases

The College has also entered into lease agreements for minor equipment and facilities. In 2013, a lease was entered for a student gallery with an initial term ending February 29, 2016. This lease was terminated effective July 31, 2015, as the space was no longer needed. Temporary space for use by the digital film department was leased with a term beginning July 1, 2013 and ending June 30, 2016, with two additional units in the same facility leased beginning June 1, 2015 and ending May 31, 2017. In 2016, the College leased classroom and office facilities for RCLLA with an initial term ending October 31, 2017. This lease was expanded and extended to June 30, 2019. The College has also leased various apartments and houses to provide additional housing to students under a master lease with an initial term of August 1, 2017 to July 31, 2018. Storage facilities are also leased under various contracts. The following is a schedule by year of future minimum rental payments required under all operating leases that have initial or remaining non-cancelable lease terms of one year or more as of May 31, 2017:

2018	\$455,770
2019	164,765
2020	75,948
2021	70,180
2022	72,133
Thereafter	<u>-</u>
TOTAL	<u>\$838,796</u>

Total rental expense on operating leases was approximately \$334,473 and \$304,851 in 2017 and 2016, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 10—NOTES PAYABLE

The College entered into agreements to finance \$1,169,667 in insurance costs for policy premiums, loss fund allocations, and administrative costs at a fixed rate of 2.99%. As of May 31, 2017, the outstanding balance was \$577,678.

NOTE 11—SPLIT-INTEREST AGREEMENTS

Contribution revenue for the years ended May 31, 2017, and 2016, from irrevocable charitable remainder trusts was \$0 and \$1,350, respectively. The present value of contributions receivable from remainder trusts as of May 31, 2017, and 2016, were \$344,718 and \$335,581, respectively.

The College has entered into seven 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 \$1,827,810 at May 31, 2017, 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, 2017, and 2016, was \$1,400,377 and \$1,409,225, respectively.

NOTE 12—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*, 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 permanently restricted net assets 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 that is not classified in permanently restricted net assets is classified as unrestricted or temporarily restricted net assets until those amounts are appropriated for expenditure by the College in accordance with the College's endowment spending policy. Unrestricted net assets also reflect losses to permanently restricted contributions that exceed the fair value of the original and subsequent gifts.

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 CPI plus the spending rate, which is anticipated to not exceed 5%, net of investment consulting and management fees. 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, 2017 AND 2016

NOTE 12—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 three year/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 the purchasing power of endowment assets as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for the year ended May 31, 2017, and 2016 are as follows:

	<u>2017</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	<u>\$18,540,031</u>	<u>\$2,573,338</u>	<u>\$20,977,769</u>	<u>\$42,091,138</u>
Interest and dividends, net	463,080	561,919	-	1,024,999
Net realized and unrealized gain on investments	1,607,346	1,955,849	-	3,563,195
Principal gain of endowment	29,689	-	-	29,689
Contributions	-	46,868	1,991,891	2,038,759
Distributions	(493,350)	(773,888)	-	(1,267,238)
Other changes	<u>-</u>	<u>-</u>	<u>8,317</u>	<u>8,317</u>
Change in Net Assets	<u>1,606,765</u>	<u>1,790,748</u>	<u>2,000,208</u>	<u>5,397,721</u>
 ENDOWMENT NET ASSETS, END OF YEAR	 <u>\$20,146,796</u>	 <u>\$4,364,086</u>	 <u>\$22,977,977</u>	 <u>\$47,488,859</u>
	<u>2016</u>			<u>Total</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	<u>\$20,636,182</u>	<u>\$4,778,646</u>	<u>\$20,431,175</u>	<u>\$45,846,003</u>
Interest and dividends, net	510,244	591,277	-	1,101,521
Net realized and unrealized loss on investments	(1,771,756)	(2,001,562)	-	(3,773,318)
Principal loss of endowment	(29,689)	-	-	(29,689)
Contributions	-	-	553,041	553,041
Distributions	(804,950)	(795,023)	-	(1,599,973)
Change in donor designation	-	-	20,053	20,053
Other changes	<u>-</u>	<u>-</u>	<u>(26,500)</u>	<u>(26,500)</u>
Change in Net Assets	<u>(2,096,151)</u>	<u>(2,205,308)</u>	<u>546,594</u>	<u>(3,754,865)</u>
 ENDOWMENT NET ASSETS, END OF YEAR	 <u>\$18,540,031</u>	 <u>\$2,573,338</u>	 <u>\$20,977,769</u>	 <u>\$42,091,138</u>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 12—ENDOWMENT (Continued)

Endowment net asset compositions as of May 31, 2017, and 2016 are as follows:

		<u>2017</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor Designated	\$ -	\$4,364,086	\$22,977,977	\$27,342,063
Board Designated	<u>20,146,796</u>	-	-	<u>20,146,796</u>
TOTAL ENDOWMENT FUNDS	<u>\$20,146,796</u>	<u>\$4,364,086</u>	<u>\$22,977,977</u>	<u>\$47,488,859</u>

		<u>2016</u>		
	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor Designated	\$ -	\$2,573,338	\$20,977,769	\$23,551,107
Board Designated	<u>18,540,031</u>	-	-	<u>18,540,031</u>
TOTAL ENDOWMENT FUNDS	<u>\$18,540,031</u>	<u>\$2,573,338</u>	<u>\$20,977,769</u>	<u>\$42,091,138</u>

NOTE 13—TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets for the following purposes as of May 31, 2017, and 2016 were:

	<u>2017</u>	<u>2016</u>
Capital	\$55,384,087	\$50,403,560
Departmental purposes	2,543,550	2,659,967
Time restricted	372,089	909,286
Scholarships	1,446,950	976,752
Long-term investment	<u>4,364,086</u>	<u>2,573,336</u>
	<u>\$64,110,762</u>	<u>\$57,522,901</u>

Permanently restricted assets are restricted to investments in perpetuity, the income (including net appreciation) from which is expendable for the following purposes as of May 31, 2017, and 2016:

	<u>2017</u>	<u>2016</u>
Departmental purposes	\$ 5,647,907	\$ 5,636,230
Institutional	767,771	767,771
Scholarships	<u>16,562,299</u>	<u>14,573,768</u>
	<u>\$22,977,977</u>	<u>\$20,977,769</u>

As of May 31, 2017 and 2016, \$344,718 and \$335,581, respectively, represent contributions receivable from remainder trusts included in permanently restricted net assets.

Net assets released from restrictions for the years ended May 31, 2017, and 2016, in the amount of \$7,313,782 and \$6,530,788, respectively, resulted from amortization of restricted gifts to acquire long-lived assets and expiration of donor imposed restrictions.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 14—OPERATING EXPENSES AND LOSSES BY NATURAL CLASSIFICATION

Operating expenses and losses by natural classification, for the years ended May 31, 2017, and 2016 were:

	<u>2017</u>	<u>2016</u>
Personnel compensation	\$22,961,554	\$21,685,382
Employee benefits	6,271,644	6,200,913
Supplies and equipment	1,958,758	1,687,655
Telephone and other communications	443,139	391,468
Marketing and publications	1,072,592	1,092,503
Professional development/travel	1,473,371	1,513,582
Computers and technology	1,432,165	1,470,580
Contracted services	10,227,193	8,418,224
Student related expenses	609,070	608,407
Other expenses	113,912	149,967
Insurance	1,408,745	1,349,596
Utilities	1,845,450	1,744,843
Taxes	147,432	117,251
Interest and loan fees	2,192,254	1,967,746
Depreciation	10,296,939	9,890,191
Amortization	20,000	51,326
Losses	<u>90,937</u>	<u>414,894</u>
TOTAL OPERATING EXPENSES AND LOSSES	<u>\$62,565,155</u>	<u>\$58,754,528</u>

NOTE 15—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 16—FUND RAISING ORGANIZATION

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

NOTE 17—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, 2017, and 2016, was \$767,958 and \$743,618, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 18—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:

Level 1 - Valuations 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 based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations 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).

A summary of financial instruments, measured at fair value in accordance with the measurements described above, as of May 31, 2017, and 2016, is as follows:

<u>Description of investment</u>	<u>5/31/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 2,434,195	\$ 2,434,195		
Long-term bond investments	3,615,366	-	\$3,615,366	\$ -
Remainder trusts	344,718	-	-	344,718
Cash surrender value of life insurance	17,461	-	17,461	-
Common stock	72,000	72,000	-	-
Mutual funds	46,326,302	46,326,302	-	-
Alternative investments ^(a)	122,574	-	-	-
TOTAL	<u>\$52,932,616</u>	<u>\$48,832,497</u>	<u>\$3,632,827</u>	<u>\$344,718</u>
<u>Description of liability</u>	<u>5/31/2017</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swap liability	<u>\$585,460</u>	<u>\$ -</u>	<u>\$585,460</u>	<u>\$ -</u>

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 18—FAIR VALUE MEASUREMENTS (Continued)

<u>Description of investment</u>	<u>5/31/2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 46,609	\$ 46,609	\$ -	\$ -
Short-term investments	1,013,190	1,013,190	-	-
Long-term bond investments	7,210,457	-	7,210,457	-
Remainder trusts	335,581	-	-	335,581
Cash surrender value of life insurance	18,281	-	18,281	-
Common stock	85,500	85,500	-	-
Mutual funds	40,153,395	40,153,395	-	-
Alternative investments ^(a)	<u>2,164,043</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$51,027,056</u>	<u>\$41,298,694</u>	<u>\$7,228,738</u>	<u>\$335,581</u>
<u>Description of liability</u>	<u>5/31/2016</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Interest rate swap liability	<u>\$ 1,460,465</u>	<u>\$ -</u>	<u>\$1,460,465</u>	<u>\$ -</u>

(a) In accordance with ASU 2015-07, certain investments that are measured at fair value using the net asset value per share or its equivalent as an expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation to the amounts presented in the statements of financial position.

The following sets forth the changes in fair value of the College's Level 3 investments for the years ended May 31, 2017 and 2016:

	<u>Remainder Trusts</u>
Balance as of May 31, 2016	<u>\$335,581</u>
Change in value of split interest agreements	9,137
Total gains (losses) included in changes in net assets	<u>-</u>
Balance as of May 31, 2017	<u>\$344,718</u>

The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to the assets held at the reporting date

\$ 9,137

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2017 AND 2016

NOTE 18—FAIR VALUE MEASUREMENTS (Continued)

	<u>Remainder Trusts</u>
Balance as of June 1, 2015	\$465,290
Additions	1,350
Liquidations	-
Distributions	(143,500)
Change in value of split interest agreements	12,441
Total gains (losses) included in changes in net assets	-
Balance as of May 31, 2016	<u>\$335,581</u>

The amount of total gains (losses) for the period included in changes in net assets attributable to the change in unrealized gains (losses) relating to the assets held at the reporting date

\$ 12,441

The unrealized gains and losses included in changes in net assets for the periods above are reported in net realized and unrealized gain (loss) on investments in the statements of activities.

NOTE 19—LIFELONG LEARNING ACADEMY

The College entered into an agreement on December 2, 2015 with the Lifelong Learning Academy (LLA), an exempt organization created to enrich the lives of mature adults in Sarasota and Manatee counties by providing affordable and outstanding educational programs and social interaction that cover a broad spectrum of topics and are rich in intellectual stimulation, often interactive in scope, and worthy of academic consideration. Under the terms of the agreement, LLA became a department of the College effective June 1, 2016. The combination of LLA as a department of the College, now Ringling College Lifelong Learning Academy (RCLLA), has been accounted for using the purchase method. Upon the combination, the College reported a contribution received in the amount of \$114,496 for the identifiable net assets acquired. The contribution is classified as temporarily restricted.

NOTE 20—SUBSEQUENT EVENTS

The College entered into an agreement on April 19, 2016 with the Pierian Spring Academy (PSA), an exempt organization created provide lifelong learning programs throughout the greater Sarasota-Manatee region. Under the terms of the agreement, PSA merged into the RCLLA department of the College effective June 1, 2017. The combination of PSA as a department of the College will be accounted for using the acquisition method.

RINGLING COLLEGE OF ART AND DESIGN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED MAY 31, 2017

	Federal CFDA 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	P007A164730	\$ 91,462
Federal Work-Study Program	84.033	P033A164730	99,623
Federal Pell Grant Program	84.063	P063P163557	1,759,428
Federal Direct Student Loan Program	84.268	P268K173557	<u>15,445,846</u>
Total Student Financial Aid Cluster			<u>17,396,359</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 17,396,359</u></u>
	State CSFA Number	State Grant or Other State Identification	State Expenditures
Florida Department of Education			
Florida Private Student Assistance Grant Children and Spouses of Deceased or Disabled Veterans or Service Members	48.054		\$ 193,427
Florida Bright Futures Scholarship Project	48.055		4,936
Florida Resident Access Grant	48.059		194,098
Benacquisto Scholarship	48.064		1,125,000
	48.114		17,373
Total Florida Student Financial Aid			1,534,834
Florida Department of Highway Safety and Motor Vehicles			
Ringling College of Art and Design License Plate Project	76.055		<u>9,826</u>
TOTAL EXPENDITURES OF STATE FINANCIAL ASSISTANCE			<u><u>\$ 1,544,660</u></u>

RINGLING COLLEGE OF ART AND DESIGN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND STATE FINANCIAL ASSISTANCE
FOR THE FISCAL YEAR ENDED MAY 31, 2017

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.

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, 2017.

**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, 2017, 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 August 22, 2017.

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) to determine the 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 may exist that have not been identified.

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 determination of financial statement amounts. 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.

A handwritten signature in cursive script that reads "Cheryl Behrman".

Orlando, Florida
August 22, 2017

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 Uniform Guidance and Chapter 10.650, Rules of the Florida Auditor General

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

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

We have audited the compliance of Ringling College of Art and Design (the “College”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the *Executive Office of the Governor’s State Projects Compliance Supplement*, that could have a direct and material effect on each of the College’s major federal programs and state financial assistance projects for the year ended May 31, 2017. The College’s major federal programs and state financial assistance projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state financial assistance projects.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the College’s major federal programs and state financial assistance projects based on our audit of the types of compliance requirements referred to above. 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. Those standards, Uniform Guidance and Chapter 10.650, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state financial assistance project occurred. An audit includes examining, on a test basis, evidence about the College’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state financial assistance project. However, our audit does not provide a legal determination of the College’s compliance.

Opinion on Each Major Federal Program and State Financial Assistance Project

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended May 31, 2017.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state financial assistance project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state financial assistance project and to test and report on internal control over compliance in accordance with Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.



Orlando, Florida
August 22, 2017

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects
 Year Ended May 31, 2017

Part I - Summary of Auditor's Results

Financial Statement Section

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes x no

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

Noncompliance material to financial statements noted yes x no

Federal Awards and State Projects Section

Dollar threshold used to determine Type A programs:

Federal programs	\$ 750,000
State programs	\$ 300,000

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

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

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

RINGLING COLLEGE
 Schedule of Findings and Questioned Costs -
 Federal Awards Programs and State Financial Assistance Projects (continued)
 Year Ended May 31, 2017

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:

CFDA 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 Student Assistance Grant
48.055	Scholarships for Children and Spouses of Deceased or Disabled Veterans
48.059	Florida Bright Futures Scholarship Program
48.064	Florida Resident Access Grant
48.114	Benequisto Scholarship Program

RINGLING COLLEGE
Schedule of Findings and Questioned Costs -
Federal Awards Programs and State Financial Assistance Projects (continued)
Year Ended May 31, 2017

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 - Federal Award Findings and Questioned Costs

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse findings, related to the audit of major federal programs, as required to be reported by the Uniform Guidance.

There were no findings required to be reported in accordance with Uniform Guidance.

Part IV - 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 in accordance with Chapter 10.650.