

RINGLING COLLEGE OF ART AND DESIGN  
FINANCIAL STATEMENTS  
FOR THE YEARS ENDED MAY 31, 2020 AND 2019

RINGLING COLLEGE OF ART AND DESIGN  
FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2020, 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.

Handwritten signature in black ink that reads "Cheryl Behrman LLP". The signature is written in a cursive, flowing style.

Orlando, Florida  
September 25, 2020

RINGLING COLLEGE OF ART AND DESIGN  
STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2020 AND 2019

ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 12,864,182	\$ 7,539,435
Short-term investments	1,170,502	1,141,803
Accounts receivable - students, net	83,666	143,408
Contributions receivable, net	1,321,981	2,988,226
Other receivables	252,764	85,396
Prepaid expenses and other assets	2,293,209	2,485,005
Total Current Assets	17,986,304	14,383,273
<u>Non-current assets</u>		
Cash and cash equivalents restricted by donors	148,846	351,251
Long-term investments	1,661,502	1,609,772
Long-term contributions receivable, net	14,305,095	10,251,433
Cash reserve for project fund	32,733,564	18,683,711
Investment in property	1,845,000	2,260,000
Other non-current assets	7,734,152	8,069,265
Total Non-Current Assets	58,428,159	41,225,432
<u>Endowment</u>		
Cash and cash equivalents restricted for endowment	888,089	667,755
Contributions receivable restricted for endowment, net	3,677,352	3,197,655
Contributions receivable from remainder trusts	366,071	349,854
Other non-current assets	42,520	42,520
Long-term investments	53,270,051	50,262,520
Total Endowment Assets	58,244,083	54,520,304
<u>Property and equipment</u>		
at cost less accumulated depreciation	259,956,685	223,008,294
TOTAL ASSETS	\$ 394,615,231	\$ 333,137,303

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN  
STATEMENTS OF FINANCIAL POSITION  
MAY 31, 2020 AND 2019

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
<u>Current liabilities</u>		
Accounts payable	\$ 7,518,940	\$ 7,059,595
Accrued salaries and wages	5,185,745	4,960,442
Other accrued expenses	2,509,750	2,027,351
Current portion of long-term debt	3,355,487	2,782,105
Current portion of long-term capital lease	-	78,087
Student deposits	641,197	617,545
Deferred revenue	507,073	1,319,260
Amounts held in custody for others	281,908	31,680
	<u>20,000,100</u>	<u>18,876,065</u>
<u>Long-term liabilities</u>		
Long-term debt, net	174,535,001	126,215,083
Capital lease obligation, net	-	4,645,613
Annuity payable	1,064,074	1,112,130
Amounts held in custody for others	60,000	404,150
	<u>175,659,075</u>	<u>132,376,976</u>
Total Long-Term Liabilities	<u>175,659,075</u>	<u>132,376,976</u>
Total Liabilities	<u>195,659,175</u>	<u>151,253,041</u>
<u>Net assets</u>		
Without donor restrictions	133,348,253	109,456,223
With donor restrictions	65,607,803	72,428,039
	<u>198,956,056</u>	<u>181,884,262</u>
Total Net Assets	<u>198,956,056</u>	<u>181,884,262</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 394,615,231</u>	 <u>\$ 333,137,303</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, 2020

	<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	\$ 57,471,436	\$ -	\$ 57,471,436
Government grants and contracts	1,073,270	-	1,073,270
Private gifts and grants	3,180,977	16,086,992	19,267,969
Sales and services of continuing education	1,347,320	-	1,347,320
Sales and services of auxiliary enterprises	12,042,932	-	12,042,932
Investment income	752,843	11,414	764,257
Endowment distribution designated for operations	2,923,125	17,525	2,940,650
Other revenue	1,008,384	-	1,008,384
Total Operating Revenues and Gains	<u>79,800,287</u>	<u>16,115,931</u>	<u>95,916,218</u>
Net Assets Released from Restrictions	<u>25,497,185</u>	<u>(25,497,185)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>105,297,472</u>	<u>(9,381,254)</u>	<u>95,916,218</u>
<u>Operating expenses and losses</u>			
Education and general:			
Instruction	28,971,352	-	28,971,352
Academic support	17,273,726	-	17,273,726
Student services	8,030,585	-	8,030,585
Scholarships and stipends	199,000	-	199,000
Institutional support	13,102,682	-	13,102,682
Total Education and General	<u>67,577,345</u>	<u>-</u>	<u>67,577,345</u>
Auxiliary enterprises	11,938,477	-	11,938,477
Total Operating Expenses and Losses	<u>79,515,822</u>	<u>-</u>	<u>79,515,822</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>25,781,650</u>	<u>(9,381,254)</u>	<u>16,400,396</u>
<u>Nonoperating activities</u>			
Private gifts	15,000	3,229,714	3,244,714
Investment return, net	1,310,739	1,724,357	3,035,096
Endowment distribution designated for operations	(2,923,125)	(17,525)	(2,940,650)
Unrealized principal loss of true endowment	-	(63,658)	(63,658)
Change in value of split interest agreements	-	(41,863)	(41,863)
Change in value of gifted artwork	-	(350,000)	(350,000)
Release of contractual obligations	(2,212,241)	-	(2,212,241)
Net assets released from restrictions	<u>1,920,007</u>	<u>(1,920,007)</u>	<u>-</u>
Increase in Net Assets from Nonoperating Activities	<u>(1,889,620)</u>	<u>2,561,018</u>	<u>671,398</u>
Total Change in Net Assets	23,892,030	(6,820,236)	17,071,794
Net Assets at Beginning of Year	<u>109,456,223</u>	<u>72,428,039</u>	<u>181,884,262</u>
NET ASSETS AT END OF YEAR	<u>\$ 133,348,253</u>	<u>\$ 65,607,803</u>	<u>\$ 198,956,056</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Operating revenues, gains and other support</u>			
Gross tuition and fees	\$ 70,564,314	\$ -	\$ 70,564,314
Less: Scholarship allowance	(17,422,315)	-	(17,422,315)
Net tuition and fees	<u>\$ 53,141,999</u>	<u>\$ -</u>	<u>\$ 53,141,999</u>
Government grants and contracts	399,911	-	399,911
Private gifts and grants	1,945,661	12,349,653	14,295,314
Sales and services of continuing education	1,383,941	-	1,383,941
Sales and services of auxiliary enterprises	13,918,677	-	13,918,677
Investment income	687,850	36,114	723,964
Endowment distribution designated for operations	1,954,650	17,050	1,971,700
Annuity distribution for operations		-	-
Other revenue	810,183	-	810,183
Total Operating Revenues and Gains	<u>74,242,872</u>	<u>12,402,817</u>	<u>86,645,689</u>
Net Assets Released from Restrictions	<u>13,248,840</u>	<u>(13,248,840)</u>	<u>-</u>
Total Operating Revenues, Gains and Other Support	<u>87,491,712</u>	<u>(846,023)</u>	<u>86,645,689</u>
<u>Operating expenses and losses</u>			
Education and general:			
Instruction	28,204,253	-	28,204,253
Academic support	13,223,160	-	13,223,160
Student services	8,147,406	-	8,147,406
Scholarships and stipends	196,020	-	196,020
Institutional support	12,940,424	-	12,940,424
Total Education and General	<u>62,711,263</u>	<u>-</u>	<u>62,711,263</u>
Auxiliary enterprises	11,773,047	-	11,773,047
Total Operating Expenses and Losses	<u>74,484,310</u>	<u>-</u>	<u>74,484,310</u>
Increase (Decrease) in Net Assets from Operating Activities	<u>13,007,402</u>	<u>(846,023)</u>	<u>12,161,379</u>
<u>Nonoperating activities</u>			
Private gifts	85,600	2,332,285	2,417,885
Investment return, net	386,937	872,483	1,259,420
Endowment distribution designated for operations	(1,954,650)	(17,050)	(1,971,700)
Unrealized principal gain (loss) of true endowment	-	(805)	(805)
Change in value of split interest agreements	-	(93,487)	(93,487)
Change in value of gifted artwork	(2,900)	-	(2,900)
Net assets released from restrictions	<u>1,047,275</u>	<u>(1,047,275)</u>	<u>-</u>
Increase (Decrease) in Net Assets from Nonoperating Activities	<u>(437,738)</u>	<u>2,046,151</u>	<u>1,608,413</u>
Total Change in Net Assets	12,569,664	1,200,128	13,769,792
Net Assets at Beginning of Year	<u>96,886,559</u>	<u>71,227,911</u>	<u>168,114,470</u>
NET ASSETS AT END OF YEAR	<u>\$ 109,456,223</u>	<u>\$ 72,428,039</u>	<u>\$ 181,884,262</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, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Increase in net assets	\$ 17,071,794	\$ 13,769,792
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,284,585	12,566,947
Bond premium amortization	(884,796)	(489,034)
Loss on disposal of property and equipment	33,771	327,446
Write-off of continuing education investment	-	116,607
In-kind contributions of property and equipment	-	(29,860)
Realized and unrealized (gains) losses on investments	(1,798,458)	4,325
Decrease in current assets excluding cash and investments	1,750,203	1,212,982
Increase in long-term contributions receivable	(4,549,576)	(3,279,425)
Decrease (increase) in other non-current assets	249,048	(1,666,505)
Increase (decrease) in current liabilities excluding debt	(1,462,864)	186,035
Decrease in other long-term liabilities	(291,669)	(264,188)
Contributions received restricted for -		
Endowment	(3,202,414)	(1,604,276)
Property and equipment	(4,895,941)	(4,885,194)
Net cash provided by operating activities	<u>16,303,683</u>	<u>15,965,652</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	3,945,592	5,549,232
Purchase of investments	(4,820,094)	(2,716,865)
Purchase of property and equipment	(49,088,866)	(57,241,059)
Net cash used by investing activities	<u>(49,963,368)</u>	<u>(54,408,692)</u>
<u>Cash flows from financing activities</u>		
Contributions received restricted for -		
Endowment	3,202,414	1,604,276
Property and equipment	4,895,941	4,885,194
Debt issuance costs	(537,713)	(1,000)
Payments on capital leases	(4,723,700)	(69,017)
Proceeds of long-term debt	52,997,378	-
Principal repayments on debt	(2,782,106)	(2,742,105)
Net cash provided by financing activities	<u>53,052,214</u>	<u>3,677,348</u>
Net increase (decrease) in cash	19,392,529	(34,765,692)
Cash - Beginning of year	27,242,152	62,007,844
CASH - END OF YEAR	<u>\$ 46,634,681</u>	<u>\$ 27,242,152</u>
<u>RECONCILIATION OF CASH</u>		
Cash and cash equivalents	\$ 12,864,182	\$ 7,539,435
Cash and cash equivalents restricted by donors	148,846	351,251
Cash reserve for project fund	32,733,564	18,683,711
Cash and cash equivalents restricted for endowment	888,089	667,755
CASH - END OF YEAR	<u>\$ 46,634,681</u>	<u>\$ 27,242,152</u>
<u>SUPPLEMENTAL DISCLOSURES</u>		
Cash paid for interest	\$ 6,438,192	\$ 6,225,641
Non-cash in-kind contributions of capital assets	<u>\$ -</u>	<u>\$ 29,860</u>
Non-cash contributions of works of art	<u>\$ 15,000</u>	<u>\$ 1,037,250</u>
Non-cash capital assets in accounts payable	<u>\$ 5,839,947</u>	<u>\$ 3,748,343</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

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, interior design, motion design, photography and imaging, virtual reality development, and visual studies. The College enrolls over 1,600 students from the United States and 56 countries worldwide with thirty-five 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 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 pledges, 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, 2020 AND 2019

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 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, and certain unusual or non-recurring items. For the year ended May 31, 2020, the College recorded \$2,212,241 in expenses to secure a release from contractual obligations related to its academic film program.

Revenue Recognition

The College's revenue recognition policies include the recording of student tuition and fees as revenue in the fiscal year that the related academic services are rendered. Tuition and fees received in advance of services to be rendered are recorded as unearned income. Net tuition and fees reflects scholarship allowances reducing tuition and fees of \$19,416,818 and \$17,422,315 at May 31, 2020 and 2019, 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 0.32% 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.

During March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which has continued to spread rapidly and significantly affects local and worldwide economic activity and well-being. The rapid development and fluidity of the situation has created uncertainties while the pandemic persists. The College issued housing and board refunds in the amount of \$2,108,809 when the Spring 2020 semester shifted to remote learning due to the COVID-19 pandemic. The refunds are included in sales and services of auxiliary enterprises on the statement of activities during the year ended May 31, 2020.

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 \$116,566 and \$44,903 at May 31, 2020 and 2019, respectively.

RINGLING COLLEGE OF ART AND DESIGN  
NOTES TO FINANCIAL STATEMENTS  
MAY 31, 2020 AND 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2020 and 2019, was \$349,518 and \$248,981, 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	5-50 years
Buildings and improvements	10-40 years
Furniture, fixtures, vehicles, and equipment	5-10 years
Library books	10 years
Computer and related equipment	3-20 years

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

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 \$7,776,672 and \$8,111,785 presented in Other non-current assets on the statements of financial position, \$5,730,308 and \$6,065,308 as of May 31, 2020 and 2019, 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.

RINGLING COLLEGE OF ART AND DESIGN  
 NOTES TO FINANCIAL STATEMENTS  
 MAY 31, 2020 AND 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

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

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

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 part-time summer program, a PreCollege program and a travel program. The part-time summer program starts prior to year-end and ends subsequent to year-end. The PreCollege and travel program start in June and September, respectively. Revenue is recognized ratably over the period of the program, with approximately 50 percent of the part-time summer program revenue being recognized in the current year's financial statements, and the remaining 50 percent of the part-time summer program and 100 percent of the PreCollege and travel programs recorded as deferred revenue at May 31. Given the COVID-19 pandemic, a number of programs held near the fiscal year-end were reduced in size, offered online, or canceled.

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

	Student Deposits	Tuition Deferred Revenue
Balance at May 31, 2018	\$636,400	\$1,110,929
Revenue recognized, deposits applied/forfeited	(284,990)	(1,110,929)
Payments received for future performance obligations	<u>266,135</u>	<u>1,319,260</u>
Balance at May 31, 2019	617,545	1,319,260
Revenue recognized, deposits applied/forfeited	(286,947)	(1,319,260)
Payments received for future performance obligations	<u>310,599</u>	<u>507,073</u>
Balance at May 31, 2020	<u>\$641,197</u>	<u>\$ 507,073</u>

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund-Raising Expenses

Fund-raising expenses are included in institutional support on the statements of activities. Total fund-raising expenses for the years ended May 31, 2020 and 2019, were \$3,340,565 and \$3,095,289, respectively.

Advertising Expenses

The College expenses advertising costs for marketing materials as incurred, amounting to \$1,638,651 and \$1,362,680 for the years ended May 31, 2020 and 2019, respectively.

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 twelve 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.

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.

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 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, 2020 and May 31, 2019 and, accordingly, no liability has been accrued.

Subsequent Events

The College has evaluated subsequent events through September 25, 2020, 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 2020 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, 2020, the College had \$15,117,021 in cash and cash equivalents in excess of insured amounts.

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment for the years ending May 31, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 47,445,383	\$ 42,209,587
Buildings	171,069,655	163,413,919
Buildings under capital lease	-	4,870,148
Furniture, fixtures, equipment, and deposits	54,859,837	49,830,658
Library books	3,540,712	3,433,961
Computer equipment	43,858,053	38,943,085
Construction in progress	30,629,914	31,532,620
Leasehold improvements	<u>31,722,712</u>	<u>866,449</u>
Total Plant Fixed Assets	383,126,266	335,100,427
Less accumulated depreciation	<u>(123,169,581)</u>	<u>(112,092,133)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$259,956,685</u>	 <u>\$223,008,294</u>

Total depreciation expense for the years ended May 31, 2020 and 2019 was \$14,198,520 and \$12,566,947, respectively. Post Production site improvements commenced in 2016 and construction of the Post Production building began in 2017. Exterior renovations and design for the Sarasota High School to be transformed into a Museum Campus was undertaken in 2015, with renovations beginning in 2018, the majority of which were completed in 2019. New projects for a chilled water plant and a residential facility, Greensboro Hall, were designed in 2016 and 2017, respectively, and began construction in 2018. Design for a new dining facility began in 2019.

The College capitalizes interest cost incurred on funds used to construct property and equipment. The capitalized interest is recorded as part of the asset to which it relates and is amortized over the asset's estimated useful life. Interest cost capitalized was \$1,961,849 and \$1,310,796 during the years ended May 31, 2020 and 2019, respectively. Total interest cost incurred, inclusive of capitalized interest, was \$6,672,494 and \$5,777,879 during the years ended May 31, 2020 and 2019, respectively.

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 4—PROPERTY AND EQUIPMENT (Continued)

Detail of construction in progress for the years ending May 31, 2020 and 2019 consisted of:

	<u>2020</u>	<u>2019</u>
Greensboro Hall	\$27,090,124	\$ 3,698,879
Museum Campus Renovations	533,928	25,147,986
Chilled Water Plant and Retrofits	1,507,879	940,227
Post Production	-	1,410,953
Dining Facility	1,336,430	-
Other	<u>161,553</u>	<u>334,575</u>
	<u>\$30,629,914</u>	<u>\$31,532,620</u>

Outstanding commitments not yet reflected in construction in progress include \$170,199 for the Museum Campus Bistro, \$2,183,716 for the Chilled Water Plant Retrofits, and \$2,901,341 for the Underclass Housing.

NOTE 5—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Contributions receivable have been discounted based on rates ranging from .85% to 5% at May 31, 2020, and 2019, respectively. Contributions receivable, net, are summarized as follows at May 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,978,096	\$ 3,816,700
One year to five years	8,599,191	4,648,335
Greater than five years	<u>14,902,289</u>	<u>14,469,836</u>
	25,479,576	22,934,871
Less discount to net present value	(3,464,964)	(4,035,319)
Less allowance for uncollectible contributions receivable	<u>(2,710,184)</u>	<u>(2,462,238)</u>
	<u>\$19,304,428</u>	<u>\$16,437,314</u>

Contributions receivable reflected in the financial statements as of May 31, 2020 and 2019 are:

	<u>2020</u>	<u>2019</u>
Current assets	\$ 1,321,981	\$ 2,988,226
Non-current assets	14,305,095	10,251,433
Endowment	<u>3,677,352</u>	<u>3,197,655</u>
	<u>\$19,304,428</u>	<u>\$16,437,314</u>

The College received two conditional promises which have not yet been recorded as support in the statements of activities. At May 31, 2020, \$12,000,000 has been promised, with \$600,000 received. The first 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. The second is a \$9,000,000 promise towards construction for a new building pending complete approvals, project funding, 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.



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NOTE 5—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED (Continued)

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 6—INVESTMENTS

Investments, stated at fair value at May 31, 2020 and 2019, include:

	<u>FMV</u>	<u>2020</u> <u>Cost</u>	<u>FMV</u>	<u>2019</u> <u>Cost</u>
Short-term				
Money market funds	\$ 1,110,533	\$ 1,110,533	\$ 640,491	\$ 640,491
Common stock	59,969	65,457	-	-
Corporate bonds	-	-	<u>501,312</u>	<u>501,312</u>
TOTAL CURRENT ASSETS	<u>\$ 1,170,502</u>	<u>\$ 1,175,990</u>	<u>\$ 1,141,803</u>	<u>\$ 1,141,803</u>
Long-term				
Money market funds	\$ 72,740	\$ 72,740	\$ 42,605	\$ 42,605
Mutual funds invested in:				
Debt securities	785,591	749,431	821,227	814,525
U.S. equity securities	803,171	768,861	509,200	494,810
Int'l equity securities	-	-	<u>236,740</u>	<u>234,255</u>
Subtotal	<u>1,661,502</u>	<u>1,591,032</u>	<u>1,609,772</u>	<u>1,586,195</u>
Investment in property	<u>1,845,000</u>	<u>1,700,000</u>	<u>2,260,000</u>	<u>2,200,000</u>
TOTAL NON-CURRENT ASSETS	<u>\$ 3,506,502</u>	<u>\$ 3,291,032</u>	<u>\$ 3,869,772</u>	<u>\$ 3,786,195</u>
Endowment				
Cash held for investment	\$ 89,227	\$ 89,227	\$ 124,493	\$ 124,493
Cash surrender value of life insurance contracts	12,992	26,440	14,733	26,440
Mutual funds invested in:				
Debt securities	26,993,266	26,429,015	14,618,081	14,700,139
U.S. equity securities	26,174,566	18,729,993	35,491,295	30,275,583
Int'l equity securities	-	-	<u>13,918</u>	<u>13,771</u>
TOTAL ENDOWMENT	<u>\$ 53,270,051</u>	<u>\$ 45,274,675</u>	<u>\$ 50,262,520</u>	<u>\$ 45,140,426</u>

Investment in property reflects contributions of real estate under gift annuity agreements. The College incurred investment management and investment consulting fees, which are reported as a reduction of investment earnings, of \$175,821 and \$178,810 for the years ended May 31, 2020 and 2019, respectively.

RINGLING COLLEGE OF ART AND DESIGN  
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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, 2020 and 2019:

	<u>2020</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 757,626	\$ 140	\$ 757,766
Realized gains (losses)	(29,734)	10,762	(18,972)
Unrealized gains	24,951	512	25,463
Nonoperating Investment Return			
Interest and dividend income, net	479,670	698,061	1,177,731
Realized losses	(439,002)	(689,205)	(1,128,207)
Unrealized gains	1,270,071	1,715,501	2,985,572
Unrealized principal loss of true endowment	-	<u>(63,658)</u>	<u>(63,658)</u>
Total Investment Return	2,063,582	1,672,113	3,735,695
Investment return designated for current operations	<u>(2,923,125)</u>	<u>(17,525)</u>	<u>(2,940,650)</u>
INVESTMENT RETURN LONG-TERM	<u>\$ (859,543)</u>	<u>\$1,654,588</u>	<u>\$ 795,045</u>
	<u>2019</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 686,882	\$ 48,752	\$ 735,634
Realized losses	(13,348)	(44,086)	(57,434)
Unrealized gains	14,316	31,448	45,764
Nonoperating Investment Return			
Interest and dividend income, net	540,885	719,886	1,260,771
Realized gains	421,104	623,842	1,044,946
Unrealized losses	(575,052)	(471,245)	(1,046,297)
Unrealized principal loss of true endowment	-	<u>(805)</u>	<u>(805)</u>
Total Investment Return	1,074,787	907,792	1,982,579
Investment return designated for current operations	<u>(1,954,650)</u>	<u>(17,050)</u>	<u>(1,971,700)</u>
INVESTMENT RETURN LONG-TERM	<u>\$ (879,863)</u>	<u>\$890,742</u>	<u>\$ 10,879</u>

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 7—SPLIT-INTEREST AGREEMENTS

The College has entered into twelve 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 \$1,803,741 at May 31, 2020, 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, 2020 and 2019, was \$1,064,074 and \$1,112,130, respectively.

The present value of contributions receivable from remainder trusts as of May 31, 2020, and 2019, was \$366,071 and \$349,854, respectively.

NOTE 8—LONG-TERM DEBT

Long-term debt at May 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Series 2009 Loan	\$ 12,655,000	\$ 13,370,000
Series 2014 Loan	10,715,000	12,045,000
Series 2017 Bond	89,405,000	89,800,000
Series 2019 Bond	40,920,000	-
2016 Loan Payable	5,815,789	6,157,895
2020 Loan Payable	<u>5,000,000</u>	<u>-</u>
Total	164,510,789	121,372,895
Add unamortized issuance premium	14,739,752	8,547,170
Less current portion	(3,355,487)	(2,782,105)
Less unamortized debt issuance costs	<u>(1,360,053)</u>	<u>(922,877)</u>
LONG-TERM DEBT	<u>\$174,535,001</u>	<u>\$126,215,083</u>

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

2021	\$ 3,355,487
2022	3,465,168
2023	8,358,492
2024	3,335,700
2025	3,450,470
Thereafter	<u>142,545,472</u>
TOTAL	<u>\$164,510,789</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, 2020 and 2019.

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 8—LONG-TERM DEBT (Continued)

Series 2009 Bonds were issued to refund the Series 2004 Bonds and are subject to partial mandatory sinking fund redemption each March 1, through March 2034. The 2009 Bonds were sold to SunTrust 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, 2020 and 2019 was 1.14% and 2.79%, 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, 2020 and 2019 was 1.14% and 2.79%, respectively.

The College obtained a \$20,000,000 taxable loan from SunTrust Bank to provide interim construction financing for certain capital projects, for which \$5,815,789 and \$6,157,895 was outstanding at May 31, 2020 and 2019, respectively. The loan is secured by capital campaign pledges. Interest is variable, based upon .95% plus 30-day LIBOR. The variable rate as of May 31, 2020 and 2019 was 1.35% and 3.44%, respectively.

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

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

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

Capital Leases

Effective March 1, 2017 through April 17, 2020, the College leased two soundstage buildings under a twenty-year capital lease to finance the acquisition of the assets through the lease and accordingly, it was recorded in the College's assets and liabilities as such as of May 31, 2019. The lease was terminated as part of an agreement with the lessor to acquire the soundstages. The Sarasota High School Building, which has been transformed into a continuing education center with a museum of 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.

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NOTE 9—LEASE COMMITMENTS (Continued)

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

	<u>2020</u>	<u>2019</u>
Buildings under capital lease	\$ -	\$4,870,148
Leasehold improvements	31,722,712	866,449
Less accumulated depreciation	<u>(504,735)</u>	<u>(643,982)</u>
	<u>\$31,217,977</u>	<u>\$5,092,615</u>

Operating Leases

In 2016, the College leased classroom and office facilities for the College's OLLI 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. This was subsequently modified to adjust the number of leased units and extended to July 31, 2021. Storage facilities and office equipment are also leased under various contracts through 2024. 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, 2020:

2021	\$315,555
2022	12,895
2023	11,174
2024	10,054
2025	<u>1,676</u>
TOTAL	<u>\$351,354</u>

Rental expense on operating leases was \$530,785 and \$469,276 in 2020 and 2019, respectively.

NOTE 10—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 11—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, 2020 and 2019 was \$927,613 and \$887,345, respectively.

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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 (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 exist in eight donor restricted funds, which combined have an original gift value of \$2,426,014, a current fair value of \$2,361,551, and a deficiency of \$64,463 as of May 31, 2020. As of May 31, 2019, deficiencies existed in two donor restricted funds, which combined have an original gift value of \$20,000, a current fair value of \$19,195, and a deficiency of \$805. These deficiencies resulted from unfavorable market conditions that occurred in the approximately one year period 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. To address potential financial impacts on enrollment and auxiliary revenues, the Investment Committee recommended and the Executive Committee of the Board of Trustees approved an additional distribution of \$3,000,000 to support operations in June 2020.

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.

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.

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 12—ENDOWMENT (Continued)

Changes in endowment net assets for the year ended May 31, 2020 and 2019 are as follows:

	<u>2020</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	\$ <u>20,420,733</u>	\$ <u>5,155,081</u>	\$ <u>28,944,490</u>	\$ <u>54,520,304</u>
Investment return, net	1,259,540	1,724,357	-	2,983,897
Contributions	-	47,603	3,182,111	3,229,714
Principal loss of endowment	-	(63,658)	-	(63,658)
Distributions	(1,904,025)	(1,036,625)	-	(2,940,650)
Change in donor designation	-	-	500,000	500,000
Other changes	-	-	14,476	14,476
Change in Net Assets	<u>(644,485)</u>	<u>671,677</u>	<u>3,696,587</u>	<u>3,723,779</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$19,776,248</u>	<u>\$5,826,758</u>	<u>\$32,641,077</u>	<u>\$58,244,083</u>
	<u>2019</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	\$ <u>20,923,623</u>	\$ <u>5,563,862</u>	\$ <u>26,641,853</u>	\$ <u>53,129,338</u>
Investment return, net	404,485	627,483	-	1,031,968
Contributions	-	28,866	2,303,419	2,332,285
Principal loss of endowment	-	(805)	-	(805)
Distributions	(907,375)	(1,064,325)	-	(1,971,700)
Other changes	-	-	(782)	(782)
Change in Net Assets	<u>(502,890)</u>	<u>(408,781)</u>	<u>2,302,637</u>	<u>1,390,966</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$20,420,733</u>	<u>\$5,155,081</u>	<u>\$28,944,490</u>	<u>\$54,520,304</u>

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

RINGLING COLLEGE OF ART AND DESIGN  
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NOTE 13—NATURE AND AMOUNT OF NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of May 31, 2020, and 2019 were:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose or passage of time:		
Capital	\$16,762,945	\$ 29,753,202
Departmental purposes	6,854,536	3,867,867
Time restricted	1,106,939	1,280,241
Scholarships	2,415,548	3,427,158
Long-term investment	<u>5,826,758</u>	<u>5,155,081</u>
	32,966,726	43,483,549
Subject to the restrictions in perpetuity, for which income is subject to spending policy appropriation:		
Departmental purposes	9,300,668	7,761,975
Institutional	768,772	768,772
Scholarships	<u>22,571,637</u>	<u>20,413,743</u>
	<u>32,641,077</u>	<u>28,944,490</u>
Net assets with donor restriction	<u>\$65,607,803</u>	<u>\$72,428,039</u>

The College released net assets with donor restrictions for the following purposes for the years ended May 31, 2020 and 2019:

Capital	\$23,094,747	\$11,161,455
Departmental purposes	2,448,012	1,390,471
Institutional	12,106	27,825
Scholarships	<u>1,862,327</u>	<u>1,716,364</u>
	<u>\$27,417,192</u>	<u>\$14,296,115</u>

NOTE 14—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 15—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 served.



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**NOTE 15—OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION (Continued)**

Operating expenses and losses by natural and functional classification, for the year ended May 31, 2020 were:

	Academic Instruction	Academic Support	Student Services	Scholarships and Stipends	Auxiliary Enterprises	Institutional Support	Total Expenses
Operating expenses and losses:							
Personnel compensation	\$ 13,707,074	\$ 5,196,799	\$ 3,412,599	\$ -	\$ 996,042	\$ 5,324,025	\$ 28,636,539
Benefits	3,299,189	1,236,463	1,108,370	-	878,582	1,575,608	8,098,212
Supplies/equipment	683,090	1,054,802	233,494	-	99,920	819,793	2,891,099
Telephone/other communications	66,191	46,920	134,678	-	35,118	107,233	390,140
Marketing/Publications	274,054	193,039	210,487	-	97,945	873,221	1,648,746
Conferences/travel	248,558	332,964	394,594	-	7,491	587,920	1,571,527
Computers/technology	134,275	1,308,763	391,464	-	27,645	377,970	2,240,117
Contracted services	1,790,647	1,919,360	1,264,153	-	3,435,353	1,754,352	10,163,865
Student related expenses	109,780	18,087	147,747	199,000	1,908	-	476,522
Other expenses	-	814	-	-	123,050	164,914	288,778
Insurance	353,056	112,495	53,330	-	428,253	453,825	1,400,959
Utilities	891,962	444,850	121,630	-	822,781	100,896	2,382,119
Taxes	41,922	19,466	-	-	70,213	127,541	259,142
Interest/loan fees	1,758,847	924,625	169,807	-	1,771,798	124,624	4,749,701
Depreciation	5,612,707	4,344,655	388,232	-	3,142,166	710,760	14,198,520
Amortization	-	86,065	-	-	-	-	86,065
Losses	-	33,559	-	-	212	-	33,771
Total operating expenses	\$ 28,971,352	\$ 17,273,726	\$ 8,030,585	\$ 199,000	\$ 11,938,477	\$ 13,102,682	\$ 79,515,822

Operating expenses and losses by natural and functional classification, for the year ended May 31, 2019 were:

	Academic Instruction	Academic Support	Student Services	Scholarships and Stipends	Auxiliary Enterprises	Institutional Support	Total Expenses
Operating expenses and losses:							
Personnel compensation	\$13,395,638	\$ 4,491,604	\$ 3,238,776	\$ -	\$ 539,842	\$ 5,008,582	\$26,674,442
Benefits	3,404,927	1,120,104	1,123,770	-	700,564	1,470,320	7,819,685
Supplies/equipment	633,882	366,286	248,946	-	155,260	795,756	2,200,130
Telephone/other communications	45,020	42,129	133,720	-	43,126	126,715	390,710
Marketing/Publications	247,181	88,909	273,187	-	101,220	652,183	1,362,680
Conferences/travel	250,558	420,880	485,333	-	2,881	573,502	1,733,154
Computers/technology	82,252	827,755	316,868	-	11,990	272,713	1,511,578
Contracted services	1,915,744	1,534,890	1,276,081	-	4,062,132	1,676,119	10,464,966
Student related expenses	204,007	17,804	212,127	196,020	591	-	630,549
Other expenses	31,380	9,654	4,996	-	55,339	41,770	143,139
Insurance	309,945	93,635	49,346	-	323,778	800,378	1,577,082
Utilities	761,772	318,621	119,811	-	960,959	102,552	2,263,715
Taxes	17,682	8,160	-	-	81,117	84,408	191,367
Interest/loan fees	1,583,137	582,824	195,054	-	1,580,804	568,294	4,510,113
Depreciation	5,321,128	3,178,237	469,391	-	2,910,733	687,458	12,566,947
Losses	-	121,668	-	-	242,711	79,674	444,053
Total operating expenses	\$28,204,253	\$13,223,160	\$ 8,147,406	\$ 196,020	\$11,773,047	\$12,940,424	\$74,484,310

**NOTE 16—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 12. 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. To address potential financial impacts on enrollment and auxiliary revenues, the Investment Committee recommended and the Executive Committee of the Board of Trustees approved an additional distribution of \$3,000,000 to support operations in June 2020. 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.

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NOTE 16—LIQUIDITY (Continued)

The following table reflects the College's financial assets as of May 31, 2020, and 2019 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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,901,117	\$ 8,558,441
Short-term investments	1,170,502	1,141,803
Student accounts receivable	83,666	143,408
Contributions receivable	19,304,428	16,437,314
Other accounts receivable	252,764	85,396
Assets held in trust by others	366,071	349,854
Cash reserve for project fund	32,733,564	18,683,711
Investments in property	1,845,000	2,260,000
Other long-term investments	<u>54,931,553</u>	<u>51,872,292</u>
FINANCIAL ASSETS AT THE END OF THE YEAR	124,588,665	99,532,219
Less assets unavailable for general expenditures within one year:		
Restricted by donors for future capital projects	(10,349,051)	(11,539,477)
Restricted for future capital projects	(32,733,564)	(18,683,711)
Restricted by donors for use in future periods	(8,126,341)	(4,115,151)
Board designated endowment	(18,845,798)	(19,516,709)
Future expendable donor-restricted endowment	(4,238,735)	(4,083,933)
Retained donor-restricted perpetual endowment	(32,275,006)	(28,594,636)
Investments in property	(1,845,000)	(1,845,000)
Annuities	(1,803,741)	(1,704,409)
Assets held in trust by others	<u>(366,071)</u>	<u>(349,854)</u>
FINANCIAL ASSETS AVAILABLE FOR CASH GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 14,005,358</u>	<u>\$ 9,099,339</u>

NOTE 17—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 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).

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NOTE 17—FAIR VALUE MEASUREMENTS (Continued)

A summary of financial instruments, measured at fair value in accordance with the measurements described above, as of May 31, 2020 and 2019, is as follows:

<u>Description of investment</u>	<u>5/31/2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$1,183,273	\$ 1,183,273	\$ -	\$ -
Remainder trusts	366,071	-	-	366,071
Cash surrender value of life insurance	12,992	-	12,992	-
Common stock	59,969	59,969	-	-
Mutual funds	<u>54,756,594</u>	<u>54,756,594</u>	-	-
 TOTAL	 <u>\$56,378,899</u>	 <u>\$55,999,836</u>	 <u>\$12,992</u>	 <u>\$366,071</u>
 <u>Description of investment</u>	 <u>5/31/2019</u>	 <u>Level 1</u>	 <u>Level 2</u>	 <u>Level 3</u>
Money market funds	\$683,096	\$ 683,096	\$ -	\$ -
Short-term bond investments	501,312	-	501,312	-
Remainder trusts	349,854	-	-	349,854
Cash surrender value of life insurance	14,733	-	14,733	-
Mutual funds	<u>51,690,461</u>	<u>51,690,461</u>	-	-
 TOTAL	 <u>\$53,239,456</u>	 <u>\$52,373,557</u>	 <u>\$516,045</u>	 <u>\$349,854</u>

The following sets forth the changes in fair value of the College's Level 3 investments for the years ended May 31, 2020 and 2019:

	<u>Remainder Trusts</u>
Balance as of May 31, 2019	\$349,854
Change in value of split interest agreements	<u>16,217</u>
Balance as of May 31, 2020	<u>\$366,071</u>

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

\$ 16,217

Balance as of May 31, 2018

\$349,158

Change in value of split interest agreements

696

Balance as of May 31, 2019

\$349,854

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

\$ 696

The unrealized gains and losses included in changes in net assets for the periods above are reported in investment return, net in the statements of activities.