

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

RINGLING COLLEGE OF ART AND DESIGN
FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

TABLE OF CONTENTS

	<u>PAGE</u>
REPORT OF INDEPENDENT AUDITOR	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3-4
Statements of Activities	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-24

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, 2021 and 2020, 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, 2021 and 2020, 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 27, 2021, 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.

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

Orlando, Florida
September 27, 2021

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current assets</u>		
Cash and cash equivalents	\$ 12,673,038	\$ 12,864,182
Short-term investments	1,151,630	1,170,502
Accounts receivable - students, net	119,070	83,666
Contributions receivable, net	1,244,466	1,321,981
Other receivables	198,346	252,764
Prepaid expenses and other assets	<u>2,471,826</u>	<u>2,293,209</u>
Total Current Assets	<u>17,858,376</u>	<u>17,986,304</u>
<u>Non-current assets</u>		
Cash and cash equivalents restricted by donors	113,801	148,846
Long-term investments	1,916,294	1,661,502
Long-term contributions receivable, net	14,275,398	14,305,095
Contributions receivable from remainder trusts	218,463	-
Cash reserve for project fund	23,515,728	32,733,564
Investment in property	1,700,000	1,845,000
Other non-current assets	<u>6,579,254</u>	<u>7,734,152</u>
Total Non-Current Assets	<u>48,318,938</u>	<u>58,428,159</u>
<u>Endowment</u>		
Cash and cash equivalents restricted for endowment	49,694	888,089
Contributions receivable restricted for endowment, net	2,541,481	3,677,352
Contributions receivable from remainder trusts	366,035	366,071
Other non-current assets	42,520	42,520
Long-term investments	<u>63,932,616</u>	<u>53,270,051</u>
Total Endowment Assets	<u>66,932,346</u>	<u>58,244,083</u>
<u>Property and equipment</u>		
at cost less accumulated depreciation	<u>263,928,980</u>	<u>259,956,685</u>
TOTAL ASSETS	<u>\$ 397,038,640</u>	<u>\$ 394,615,231</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2021 AND 2020

LIABILITIES AND NET ASSETS

	<u>2021</u>	<u>2020</u>
<u>Current liabilities</u>		
Accounts payable	\$ 5,070,092	\$ 7,518,940
Accrued salaries and wages	5,523,840	5,185,745
Other accrued expenses	2,497,937	2,509,750
Current portion of long-term debt	3,123,062	3,355,487
Student deposits	576,169	641,197
Deferred revenue	801,911	507,073
Amounts held in custody for others	14,950	281,908
	<hr/>	<hr/>
Total Current Liabilities	17,607,961	20,000,100
	<hr/>	<hr/>
<u>Long-term liabilities</u>		
Long-term debt, net	165,119,932	174,535,001
Annuity payable	1,058,351	1,064,074
Amounts held in custody for others	-	60,000
	<hr/>	<hr/>
Total Long-Term Liabilities	166,178,283	175,659,075
	<hr/>	<hr/>
Total Liabilities	183,786,244	195,659,175
	<hr/>	<hr/>
<u>Net assets</u>		
Without donor restrictions	144,756,928	133,348,253
With donor restrictions	68,495,468	65,607,803
	<hr/>	<hr/>
Total Net Assets	213,252,396	198,956,056
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 397,038,640</u>	<u>\$ 394,615,231</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

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

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

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
<u>Operating revenues, gains and other support</u>			
Net tuition and fees	\$ 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	<u>11,938,477</u>	<u>-</u>	<u>11,938,477</u>
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 (Decrease) 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
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities</u>		
Increase in net assets	\$ 14,296,340	\$ 17,071,794
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	16,754,490	14,284,585
Bond premium amortization	(935,477)	(884,796)
Loss on disposal of property and equipment	414,839	33,771
In-kind contributions of property and equipment	(406,945)	-
Realized and unrealized gains on investments	(10,094,813)	(1,798,458)
Decrease (increase) in current assets excluding cash and investments	(82,088)	1,750,203
Decrease (increase) in long-term contributions receivable	947,141	(4,549,576)
Decrease in other non-current assets	589,456	249,048
Increase (decrease) in current liabilities excluding debt	470,820	(1,462,864)
Increase (decrease) in other long-term liabilities	51,430	(291,669)
Contributions received restricted for -		
Endowment	(2,027,284)	(3,202,414)
Property and equipment	-	(4,895,941)
Net cash provided by operating activities	<u>19,977,909</u>	<u>16,303,683</u>
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	5,970,301	3,945,592
Purchase of investments	(6,628,973)	(4,820,094)
Purchase of property and equipment	<u>(22,799,771)</u>	<u>(49,088,866)</u>
Net cash used by investing activities	<u>(23,458,443)</u>	<u>(49,963,368)</u>
<u>Cash flows from financing activities</u>		
Contributions received restricted for -		
Endowment	2,027,284	3,202,414
Property and equipment	-	4,895,941
Debt issuance costs	-	(537,713)
Payments on capital leases	-	(4,723,700)
Proceeds of long-term debt	-	52,997,378
Principal repayments on debt	<u>(8,829,170)</u>	<u>(2,782,106)</u>
Net cash provided (used) by financing activities	<u>(6,801,886)</u>	<u>53,052,214</u>
Net increase (decrease) in cash	(10,282,420)	19,392,529
Cash - Beginning of year	46,634,681	27,242,152
CASH - END OF YEAR	<u>\$ 36,352,261</u>	<u>\$ 46,634,681</u>
RECONCILIATION OF CASH		
Cash and cash equivalents	\$ 12,673,038	\$ 12,864,182
Cash and cash equivalents restricted by donors	113,801	148,846
Cash reserve for project fund	23,515,728	32,733,564
Cash and cash equivalents restricted for endowment	49,694	888,089
CASH - END OF YEAR	<u>\$ 36,352,261</u>	<u>\$ 46,634,681</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	<u>\$ 6,880,620</u>	<u>\$ 6,438,192</u>
Non-cash in-kind contributions of capital assets	<u>\$ 406,945</u>	<u>\$ -</u>
Non-cash contributions of works of art	<u>\$ 7,000</u>	<u>\$ 15,000</u>
Non-cash capital assets in accounts payable	<u>\$ 3,209,413</u>	<u>\$ 5,839,947</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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 48 countries worldwide, with thirty-three 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, 2021 AND 2020

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 \$19,576,691 and \$19,416,818 at May 31, 2021 and 2020, respectively. In addition, students who officially withdraw from all courses during the first eight weeks of the semester will receive a partial refund in accordance with the College's refund policy. Historically, refunds of tuition have been approximately 0.35% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Auxiliary enterprises furnish services primarily to students and are comprised predominantly of housing accommodations in residence halls, apartments, and single-family homes as well as meal plans. Income from auxiliary enterprises is recorded as revenue in the fiscal year that the services are provided. Payments for tuition, fees, and auxiliary enterprises are due approximately one month prior to the start of the academic term.

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. The College provided both on-campus and remote learning for academic year 2020-21 and no refunds were issued during the year ended May 31, 2021.

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 \$40,939 and \$116,566 at May 31, 2021 and 2020, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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, 2021 and 2020, was \$466,671 and \$349,518, 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 equipment	3-20 years

Collections

The College's policy is to capitalize donated works of art at fair value and purchased works of art at cost if not preserved and held for public exhibition or if intended to be sold without proceeds used for purchases of works of art. Of the \$6,621,774 and \$7,776,672 presented in Other non-current assets on the statements of financial position, \$5,129,808 and \$5,730,308 as of May 31, 2021 and 2020, 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.

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.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 PreCollege program, memberships, and a travel program. PreCollege and travel program start in June and September, respectively. Revenue is recognized ratably over the period of membership or program delivery, with 100 percent of the PreCollege and travel programs recorded as deferred revenue at May 31. Given the COVID-19 pandemic, a number of programs held near the fiscal year-end were reduced in size, offered online, or canceled.

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

	<u>Student Deposits</u>	<u>Deferred Revenue</u>
Balance at May 31, 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	641,197	507,073
Revenue recognized, deposits applied/forfeited	(333,428)	(507,073)
Payments received for future performance obligations	<u>268,400</u>	<u>801,911</u>
Balance at May 31, 2021	<u>\$576,169</u>	<u>\$ 801,911</u>

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, 2021 and 2020, were \$2,187,684 and \$3,340,565, respectively.

Advertising Expenses

The College expenses advertising costs for marketing materials as incurred, amounting to \$933,811 and \$1,638,651 for the years ended May 31, 2021 and 2020, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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

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, 2021 and May 31, 2020 and, accordingly, no liability has been accrued.

Related Party Transactions

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

Subsequent Events

The College has evaluated subsequent events through September 27, 2021, 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 2021 statements.

NOTE 2—FEDERAL FINANCIAL AID

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

NOTE 3—CONCENTRATIONS OF CREDIT RISK

The College maintains its cash and cash equivalents on deposit with financial institutions in the United States. The Federal Deposit Insurance Corporation (FDIC) covers all accounts at a single depository institution up to \$250,000. As of May 31, 2021, the College had \$11,812,101 in cash and cash equivalents in excess of insured amounts.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 4—PROPERTY AND EQUIPMENT

Property and equipment for the years ending May 31, 2021 and 2020 consisted of:

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$229,951,380	\$202,792,367
Land and land improvements	51,492,440	47,445,383
Furniture, fixtures, equipment, and deposits	61,515,922	54,859,837
Library books	3,596,360	3,540,712
Computer equipment	47,556,790	43,858,053
Construction in progress	<u>7,609,200</u>	<u>30,629,914</u>
Total Plant Fixed Assets	401,722,092	383,126,266
Less accumulated depreciation	<u>(137,793,112)</u>	<u>(123,169,581)</u>
 NET PROPERTY AND EQUIPMENT	 <u>\$263,928,980</u>	 <u>\$259,956,685</u>

Total depreciation expense for the years ended May 31, 2021 and 2020 was \$16,189,048 and \$14,198,520, respectively. 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, which were completed in 2020. Design for a new dining facility began in 2019. Renovations for Bayou Village Apartments began in 2020.

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 \$1,099,784 and \$1,961,849 during the years ended May 31, 2021 and 2020, respectively. Total interest cost incurred, inclusive of capitalized interest, was \$6,001,756 and \$6,672,494 during the years ended May 31, 2021 and 2020, respectively.

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

	<u>2021</u>	<u>2020</u>
Greensboro Hall	\$ -	\$27,090,124
Museum Campus Renovations	-	533,928
Chilled Water Plant and Retrofits	71,082	1,507,879
Dining Facility	4,361,419	1,336,430
Bayou Village Renovations	2,866,486	-
Other	<u>310,213</u>	<u>161,553</u>
	<u>\$7,609,200</u>	<u>\$30,629,914</u>

Outstanding commitments not yet reflected in construction in progress include \$19,017,769 for Cunniffe Commons dining facility, \$4,228,881 for Bayou Village renovations, \$1,248,212 for the realignment of North Riverside Drive, \$492,637 for Museum Campus flooring replacements, and \$86,321 for Chilled Water Plant retrofits.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 5—CONTRIBUTIONS RECEIVABLE AND CONDITIONAL PROMISES RECEIVED

Contributions receivable have been discounted based on rates ranging from .09% to 3.76% at May 31, 2021, and 2020, respectively. Contributions receivable, net, are summarized as follows at May 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 1,891,968	\$ 1,978,096
One year to five years	8,035,419	8,599,191
Greater than five years	<u>14,002,169</u>	<u>14,902,289</u>
	23,929,556	25,479,576
Less discount to net present value	(3,282,470)	(3,464,964)
Less allowance for uncollectible contributions receivable	<u>(2,585,741)</u>	<u>(2,710,184)</u>
	<u>\$18,061,345</u>	<u>\$19,304,428</u>

Contributions receivable reflected in the financial statements as of May 31, 2021 and 2020 are:

	<u>2021</u>	<u>2020</u>
Current assets	\$ 1,244,466	\$ 1,321,981
Non-current assets	14,275,398	14,305,095
Endowment	<u>2,541,481</u>	<u>3,677,352</u>
	<u>\$18,061,345</u>	<u>\$19,304,428</u>

Contributions receivable from College Board members, faculty, and staff amounted to approximately \$6,750,000 and \$9,250,000 at May 31, 2021 and 2020, respectively. The College received two conditional promises which have not yet been recorded as support in the statements of activities. The first is a \$3,000,000 promise subject to securing sufficient resources from fundraising activities to support \$1,800,000 for student scholarships and \$1,200,000 for the library collection and operations. As of May 31, 2021, \$1,200,000 of the promise had been received. The second is a \$9,000,000 promise towards construction for a new building subject to securing sufficient project funding, completing approvals, and construction groundbreaking. The College has also received conditional promises of bequests which, if received, would generally be restricted for specific purposes stipulated by the donors. It is not practical to estimate their net realizable value.

Local community foundations provide the College's donors opportunities to set up gift agreements to provide contributions or income to the College with funds maintained by the community foundation until a specified future date or in perpetuity. Presently, the College or organizations which merged with the College are named in gift annuity agreements where the foundations retain the obligation to pay the annuity to the income beneficiaries and maintain the remainder in perpetuity. As the community foundations maintain variance power over the contributions and distributions, contribution income will be recognized as distributed. Gifts to the foundations are not reflected in the College's financial statements. Approximately 20% of contributions receivable were due from one donor for the years ended May 31, 2021 and 2020.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 6—INVESTMENTS

Investments, stated at fair value at May 31, 2021 and 2020, include:

	<u>FMV</u>	<u>2021</u> <u>Cost</u>	<u>FMV</u>	<u>2020</u> <u>Cost</u>
Short-term				
Money market funds	\$ 1,151,630	\$ 1,151,630	\$ 1,110,533	\$ 1,110,533
Common stock	<u> -</u>	<u> -</u>	<u> 59,969</u>	<u> 65,457</u>
TOTAL CURRENT ASSETS	<u>\$ 1,151,630</u>	<u>\$ 1,151,630</u>	<u>\$ 1,170,502</u>	<u>\$ 1,175,990</u>
Long-term				
Money market funds	\$ 104,260	\$ 104,260	\$ 72,740	\$ 72,740
Mutual funds invested in:				
Debt securities	755,135	748,424	785,591	749,431
U.S. equity securities	<u>1,056,899</u>	<u>865,633</u>	<u>803,171</u>	<u>768,861</u>
Subtotal	1,916,294	1,718,317	1,661,502	1,591,032
Investment in property	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,845,000</u>	<u>1,700,000</u>
TOTAL NON-CURRENT ASSETS	<u>\$3,616,294</u>	<u>\$3,418,317</u>	<u>\$ 3,506,502</u>	<u>\$ 3,291,032</u>
Endowment				
Cash held for investment	\$1,135,009	\$1,135,009	\$ 89,227	\$ 89,227
Cash surrender value of life insurance contracts	11,382	23,089	12,992	26,440
Mutual funds invested in:				
Debt securities	18,346,511	18,153,311	26,993,266	26,429,015
U.S. equity securities	<u>44,439,714</u>	<u>27,780,619</u>	<u>26,174,566</u>	<u>18,729,993</u>
TOTAL ENDOWMENT	<u>\$63,932,616</u>	<u>\$47,092,028</u>	<u>\$53,270,051</u>	<u>\$45,274,675</u>
TOTAL INVESTMENTS	<u>\$68,700,540</u>	<u>\$51,661,975</u>	<u>\$57,947,055</u>	<u>\$49,741,697</u>

Investment in property reflects a contribution of real estate under a gift annuity agreement. The College incurred investment management and investment consulting fees, which are reported as a reduction of investment earnings, of \$129,248 and \$175,821 for the years ended May 31, 2021 and 2020, respectively.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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, 2021 and 2020:

	<u>2021</u>		
	<u>Without Donor Unrestricted</u>	<u>With Donor Restriction</u>	<u>Total</u>
Operating Investment Return			
Interest income, net	\$ 9,644	\$ -	\$ 9,644
Realized gains	11,211	-	11,211
Unrealized gains	5,490	-	5,490
Nonoperating Investment Return			
Interest and dividend income, net	349,095	609,586	958,681
Realized gains	122,199	-	122,199
Unrealized gains	3,333,808	6,559,252	9,893,060
Unrealized principal gain of true endowment	-	<u>64,463</u>	<u>64,463</u>
Total Investment Return	3,831,447	7,233,301	11,064,748
Investment return designated for current operations	<u>(3,095,049)</u>	<u>(18,275)</u>	<u>(3,113,324)</u>
INVESTMENT RETURN LONG-TERM	<u>\$ 736,398</u>	<u>\$7,215,026</u>	<u>\$ 7,951,424</u>
	<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>

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2021 AND 2020

NOTE 7—SPLIT-INTEREST AGREEMENTS

The College has entered into fourteen 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 \$2,105,561 at May 31, 2021, 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, 2021 and 2020, was \$1,058,351 and \$1,064,074, respectively.

The present value of contributions receivable from remainder trusts as of May 31, 2021, and 2020, was \$584,498 and \$366,071, respectively.

NOTE 8—LONG-TERM DEBT

Long-term debt at May 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Series 2009 Bonds	\$ 11,915,000	12,655,000
Series 2014 Bonds	9,335,000	10,715,000
Series 2017 Bonds	89,045,000	89,405,000
Series 2019 Bonds	40,645,000	40,920,000
2016 Loan Payable	-	5,815,789
2020 Loan Payable	<u>4,741,618</u>	<u>5,000,000</u>
Total	155,681,618	164,510,789
Add unamortized issuance premium	13,804,275	14,739,752
Less current portion	(3,123,062)	(3,355,487)
Less unamortized debt issuance costs	<u>(1,242,899)</u>	<u>(1,360,053)</u>
LONG-TERM DEBT	<u>\$165,119,932</u>	<u>\$174,535,001</u>

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

2022	\$ 3,123,062
2023	3,226,912
2024	3,335,700
2025	3,450,470
2026	3,570,208
Thereafter	<u>138,975,266</u>
TOTAL	<u>\$155,681,618</u>

All Series Bonds consist of borrowings funded by the issuance of Educational Facilities Revenue Bonds through the Higher Educational Facilities Financing Authority (HEFFA) and have been issued under the terms of the Master Trust Indenture dated June 1, 2004 between the master trustee and the College as amended by supplemental master trust indentures. The master trustee has a secured interest in all pledged revenues. Under terms of the loan agreements with HEFFA, the College is responsible for payment of principal and interest on the bonds and the master trust indenture, as amended, contains a debt service coverage ratio of 1 to 1.1, for which management believes the College was in compliance at May 31, 2021 and 2020.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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, 2021 and 2020 was .90% and 1.14%, 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, 2021 and 2020 was .90% and 1.14%, 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 was outstanding at May 31, 2020. The loan was paid in full May 14, 2021. The loan was secured by capital campaign pledges. Interest is variable, based upon .95% plus 30-day LIBOR. The variable rate as of May 31, 2020 was 1.35%.

Series 2017 Bonds were issued as fixed rate tax-exempt bonds in the amount of \$90,255,000 to provide funds for numerous capital projects, refund \$30,000,000 of the Series 2010 Bonds, and \$13,500,000 of the SunTrust 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—FUND RAISING ORGANIZATION

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

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 10—RETIREMENT PROGRAM

The College offers employees an opportunity to voluntarily participate in a defined contribution retirement plan designed in accordance with the provisions of section 403(b) of the Internal Revenue Code. The plan provides that each participant is immediately vested in their elective contributions and the College's match. The College will match 100% of the employee's elective contributions, up to five (5%) of annual compensation once a service period has been satisfied. Total plan expense for the years ended May 31, 2021 and 2020 was \$946,313 and \$927,613, respectively.

NOTE 11—ENDOWMENT

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

Net assets with donor restriction also reflect losses to permanently endowed contributions that exceed the fair value of the original and subsequent gifts. From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the College to retain as a fund of perpetual duration. No deficiencies of this nature exist as of May 31, 2021. Deficiencies of this nature existed 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. 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. This distribution was withdrawn, but repaid prior to May 31, 2021.

Actual returns in any given year may vary from this amount. To satisfy its long-term return objectives, the College relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The College targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives with prudent risk parameters.

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 11—ENDOWMENT (Continued)

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

Changes in endowment net assets for the year ended May 31, 2021 and 2020 are as follows:

	<u>2021</u>			<u>Total</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Purpose/Time Restrictions</u>	<u>Perpetual in Nature</u>	
Endowment net assets, beginning of year	<u>\$19,776,248</u>	<u>\$5,826,758</u>	<u>\$32,641,077</u>	<u>\$58,244,083</u>
Investment return, net	3,486,492	7,313,837	-	10,800,329
Contributions	-	47,028	886,213	933,241
Principal gain of endowment	-	64,463	-	64,463
Distributions	(1,654,025)	(1,459,299)	-	(3,113,324)
Change in donor designation	-	-	5,200	5,200
Other changes	-	-	<u>(1,646)</u>	<u>(1,646)</u>
Change in Net Assets	<u>1,832,467</u>	<u>5,966,029</u>	<u>889,767</u>	<u>8,688,263</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$21,608,715</u>	<u>\$11,792,787</u>	<u>\$33,530,844</u>	<u>\$66,932,346</u>
	<u>2020</u>			
	<u>Without Donor Restrictions</u>	<u>With Donor Purpose/Time Restrictions</u>	<u>Perpetual in Nature</u>	<u>Total</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	-	-	<u>14,476</u>	<u>14,476</u>
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>

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

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2021 AND 2020

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

Net assets with donor restrictions are available for the following purposes as of May 31, 2021, and 2020 were:

	<u>2021</u>	<u>2020</u>
Subject to expenditure for specified purpose or passage of time:		
Capital	\$12,038,977	\$ 16,762,945
Departmental purposes	7,553,028	6,854,536
Time restricted	1,805,819	1,106,939
Scholarships	1,774,013	2,415,548
Long-term investment	<u>11,792,787</u>	<u>5,826,758</u>
	34,964,624	32,966,726
Subject to the restrictions in perpetuity, for which income is subject to spending policy appropriation:		
Departmental purposes	9,329,553	9,300,668
Institutional	768,772	768,772
Scholarships	<u>23,432,519</u>	<u>22,571,637</u>
	<u>33,530,844</u>	<u>32,641,077</u>
Net assets with donor restriction	<u>\$68,495,468</u>	<u>\$65,607,803</u>

The College released net assets with donor restrictions for the following purposes for the years ended May 31, 2021 and 2020:

Capital	\$10,623,854	\$23,094,747
Departmental purposes	1,157,672	2,448,012
Institutional	1,475	12,106
Scholarships	<u>2,601,614</u>	<u>1,862,327</u>
	<u>\$14,384,615</u>	<u>\$27,417,192</u>

NOTE 13—LIMITED LIABILITY CORPORATION MEMBER

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

NOTE 14—OPERATING EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION

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

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

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

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

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

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

NOTE 15—LIQUIDITY

For purposes of analyzing resources available to meet general expenditures within one year, the College considers all expenditures related to its ongoing activities of academic instruction and related services to be general expenditures. Endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes and is not available for general expenditure. Board designated endowment is subject to the College's spending policy as described in Note 11. The College does not intend to spend from the Board designated endowment other than amounts appropriated for general expenditures in accordance with the spending policy, and has deducted the funds from financial assets available in the table below. However, these amounts could be made available, if necessary. To address potential financial impacts on enrollment and auxiliary revenues, the Investment Committee recommended and the Executive Committee of the Board of Trustees approved an additional distribution of \$3,000,000 to support operations in June 2020. This distribution was withdrawn, but repaid prior to May 31, 2021.

RINGLING COLLEGE OF ART AND DESIGN
 NOTES TO FINANCIAL STATEMENTS
 MAY 31, 2021 AND 2020

NOTE 15—LIQUIDITY (Continued)

As part of the College's liquidity management plan, it structures its financial assets to be available as its obligations come due. Cash is held in interest bearing bank accounts and is invested in short and intermediate fixed income investments, and money market funds. The following table reflects the College's financial assets as of May 31, 2021, and 2020, 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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 12,836,533	\$13,901,117
Short-term investments	1,151,630	1,170,502
Student accounts receivable	119,070	83,666
Contributions receivable	18,061,345	19,304,428
Other accounts receivable	198,346	252,764
Assets held in trust by others	584,498	366,071
Cash reserve for project fund	23,515,728	32,733,564
Investments in property	1,700,000	1,845,000
Other long-term investments	<u>65,848,910</u>	<u>54,931,553</u>
FINANCIAL ASSETS AT THE END OF THE YEAR	124,016,060	124,588,665
Less assets unavailable for general expenditures within one year:		
Restricted by donors for future capital projects	(9,536,280)	(10,349,051)
Restricted for future capital projects	(23,515,728)	(32,733,564)
Restricted by donors for use in future periods	(7,125,133)	(8,126,341)
Board designated endowment	(20,814,490)	(18,845,798)
Future expendable donor-restricted endowment	(9,789,922)	(4,238,735)
Retained donor-restricted perpetual endowment	(33,164,809)	(32,275,006)
Investments in property	(1,700,000)	(1,845,000)
Annuities	(2,105,561)	(1,803,741)
Assets held in trust by others	<u>(584,498)</u>	<u>(366,071)</u>
FINANCIAL ASSETS AVAILABLE FOR CASH GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 15,679,639</u>	<u>\$14,005,358</u>

NOTE 16—FAIR VALUE MEASUREMENTS

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

RINGLING COLLEGE OF ART AND DESIGN
NOTES TO FINANCIAL STATEMENTS
MAY 31, 2021 AND 2020

NOTE 16—FAIR VALUE MEASUREMENTS (Continued)

A summary of financial instruments, measured at fair value in accordance with the measurements described above, as of May 31, 2021 and 2020, is as follows:

<u>Description of investment</u>	<u>5/31/2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$1,255,890	\$ 1,255,890	\$ -	\$ -
Remainder trusts	584,498	-	-	584,498
Cash surrender value of life insurance	11,382	-	11,382	-
Mutual funds	<u>64,598,259</u>	<u>64,598,259</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$66,450,029</u>	<u>\$65,854,149</u>	<u>\$11,382</u>	<u>\$584,498</u>
<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>	<u>-</u>	<u>-</u>
TOTAL	<u>\$56,378,899</u>	<u>\$55,999,836</u>	<u>\$12,992</u>	<u>\$366,071</u>

The following sets forth the changes in fair value of the College's Level 3 investments for the years ended May 31, 2021 and 2020:

	<u>Remainder Trusts</u>
Balance as of May 31, 2020	\$366,071
Change in value of split interest agreements	<u>218,427</u>
Balance as of May 31, 2021	<u>\$584,498</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

\$218,427

Balance as of May 31, 2019

\$349,854

Change in value of split interest agreements

16,217

Balance as of May 31, 2020

\$366,071

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

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.