

FINANCIAL STATEMENTS

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017



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September 28, 2018

Board of Directors
The John and Mable Ringling Museum of Art Foundation, Inc.
Sarasota, Florida

Independent Auditor's Report

We have audited the accompanying financial statements of The John and Mable Ringling Museum of Art Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 John and Mable Ringling Museum of Art Foundation, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The John and Mable Ringling Museum of Art Foundation, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 6, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2018, on our consideration of the Foundation'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 solely 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 John and Mabel Ringling Museum of Art Foundation, Inc.'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 Foundation's internal control over financial reporting and compliance.



Certified Public Accountants

STATEMENTS OF FINANCIAL POSITION

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018

(With summarized financial information as of June 30, 2017)

	2018			2017	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<u>ASSETS</u>					
<u>CURRENT ASSETS</u>					
Cash and cash equivalents	\$ 2,868	\$ 223,760	\$ 36,115	\$ 262,743	\$ 572,037
Investments - NOTES B AND C	2,037,412	763,656	1,761,299	4,562,367	4,304,261
Related party receivable - NOTE F	33,333	0	0	33,333	33,333
Accounts and grants receivable	398,143	3,689	0	401,832	77,207
Prepaid expenses	155,319	0	0	155,319	40,715
TOTAL CURRENT ASSETS	2,627,075	991,105	1,797,414	5,415,594	5,027,553
Property and equipment - NOTE D	442,394	0	0	442,394	478,547
Related party receivable - NOTE F	433,334	0	0	433,334	466,667
TOTAL ASSETS	\$ 3,502,803	\$ 991,105	\$ 1,797,414	\$ 6,291,322	\$ 5,972,767
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES</u>					
Accounts payable and accrued expenses	\$ 198,123	\$ 48,360	\$ 0	\$ 246,483	\$ 23,094
Refundable deposits	26,500	0	0	26,500	28,000
TOTAL CURRENT LIABILITIES	224,623	48,360	0	272,983	51,094
<u>NET ASSETS</u>					
Unrestricted - NOTE H	3,278,180	0	0	3,278,180	3,286,142
Temporarily restricted - NOTE I	0	942,745	0	942,745	838,117
Permanently restricted - NOTE J	0	0	1,797,414	1,797,414	1,797,414
TOTAL NET ASSETS	3,278,180	942,745	1,797,414	6,018,339	5,921,673
TOTAL LIABILITIES AND NET ASSETS	\$ 3,502,803	\$ 991,105	\$ 1,797,414	\$ 6,291,322	\$ 5,972,767

See accompanying notes to financial statements

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

Year ended June 30, 2018

(With summarized financial information for the year ended June 30, 2017)

	2018			Total	2017
	Unrestricted	Temporarily Restricted	Permanently Restricted		Total
<u>REVENUE AND OTHER SUPPORT</u>					
Gifts and grants	\$ 793,409	\$ 237,851	\$ 0	\$ 1,031,260	\$ 1,185,159
Memberships	1,217,393	0	0	1,217,393	1,195,111
Investment income, net of related expense	151,733	96,078	0	247,811	312,870
Special events	142,211	0	0	142,211	124,570
Other	73,510	0	0	73,510	31,106
	<u>2,378,256</u>	<u>333,929</u>	<u>0</u>	<u>2,712,185</u>	<u>2,848,816</u>
Net assets released from restrictions	229,301	(229,301)	0	0	0
TOTAL REVENUE AND OTHER SUPPORT	<u>2,607,557</u>	<u>104,628</u>	<u>0</u>	<u>2,712,185</u>	<u>2,848,816</u>
<u>EXPENSES</u>					
Program services:					
Curatorial, conservation and exhibits	1,090,326	0	0	1,090,326	1,168,008
Education	81,647	0	0	81,647	47,598
Accessions	54,402	0	0	54,402	75,770
TOTAL PROGRAM SERVICES	<u>1,226,375</u>	<u>0</u>	<u>0</u>	<u>1,226,375</u>	<u>1,291,376</u>
Support services:					
Management and general	773,151	0	0	773,151	399,626
Development and memberships	383,624	0	0	383,624	374,944
TOTAL SUPPORT SERVICES	<u>1,156,775</u>	<u>0</u>	<u>0</u>	<u>1,156,775</u>	<u>774,570</u>
Special events	232,369	0	0	232,369	122,800
TOTAL EXPENSES	<u>2,615,519</u>	<u>0</u>	<u>0</u>	<u>2,615,519</u>	<u>2,188,746</u>
INCREASE IN NET ASSETS	(7,962)	104,628	0	96,666	660,070
<u>NET ASSETS</u>					
Beginning of year	3,286,142	838,117	1,797,414	5,921,673	5,261,603
End of year	<u>\$ 3,278,180</u>	<u>\$ 942,745</u>	<u>\$ 1,797,414</u>	<u>\$ 6,018,339</u>	<u>\$ 5,921,673</u>

See accompanying notes to financial statements

STATEMENTS OF CASH FLOWS

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

Years ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Increase in net assets	\$ 96,666	\$ 660,070
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	120,166	126,102
Realized gain on investments	(5,338)	(10,417)
Unrealized gain on investments	(90,781)	(254,031)
Increase in accounts and grants receivable	(324,625)	(25,853)
(Increase) decrease in prepaid expenses	(114,604)	7,770
Increase (decrease) in accounts payable and accrued expenses	223,389	(37,674)
Decrease in refundable deposits	(1,500)	(2,500)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(96,627)</u>	<u>463,467</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of fixed assets	(84,013)	(30,585)
Proceeds from related party receivable	33,333	0
Proceeds from sales and maturities of investments	346,447	335,037
Purchase of investments	(508,434)	(733,305)
NET CASH USED IN INVESTING ACTIVITIES	<u>(212,667)</u>	<u>(428,853)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(309,294)	34,614
<u>CASH AND CASH EQUIVALENTS</u>		
Beginning of year	572,037	537,423
End of year	<u>\$ 262,743</u>	<u>\$ 572,037</u>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

THE JOHN AND MABLE RINGLING MUSEUM OF ART FOUNDATION, INC.

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations:

The John and Mable Ringling Museum of Art Foundation, Inc. (the Foundation) is a not-for-profit corporation organized in 1978. Florida statutes section 1004.45 designates the Foundation as a direct-support-organization for the John and Mable Ringling Museum of Art (the Museum) with authority to develop policy for the Museum, to nominate the museum director, to maintain and preserve the collections of the Museum, and to provide charitable and educational support to the Museum, subject to the provisions of John Ringling's will and the overall direction of the President of Florida State University (FSU). Significant activities are performed and funded by the State of Florida through FSU. The costs of these activities are separate from the Foundation and, thus, are excluded from these financial statements.

Financial Statements:

The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Use of Estimates:

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

Cash and Cash Equivalents:

Cash and cash equivalents are comprised of cash and money market funds. The Foundation considers all the cash on hand and highly liquid investments with a maturity of three months or less at the date of acquisition to be cash and cash equivalents. Market value approximates cost for these funds.

Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Gains and losses on disposition are based on the difference between the net proceeds received and the carrying value of the investment sold, using the specific identification method. Also gains or losses are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by donor stipulations or law.

Basis of Presentation:

The Foundation follows the standards of accounting and financial reporting of Not-for-Profit Organizations, which required the net assets of the Foundation and changes therein to be classified and reported as follows:

Unrestricted net assets: Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets: Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets: Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions:

Contributions received, including unconditional promises to give, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support.

The value of contributions received that are restricted for acquisition of items for the collection is reported as contributions in the statement of activities. Gifts of cash or other property restricted by donors for the purchase of items for the collection are classified as temporarily restricted revenue and acquisitions are made in accordance with the terms of the gift. In conformity with the practice followed by many museums, art objects purchased and donated are not capitalized. The collection is prepared for public exhibition.

Property and Equipment:

Property and equipment are recorded at cost. Expenditures for improvements, furniture, and supplies less than \$5,000 are charged to expense as incurred. When property or equipment is retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period.

Expenditures that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are charged to operations in the year the costs are incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. A summary of depreciable lives follows:

	<u>Years</u>
Buildings and improvements	5 - 10
Furniture, fixtures and equipment	3 - 10

Income Taxes:

The Foundation qualifies under section 501(c)(3) of the Internal Revenue Code as a tax-exempt corporation. However, revenues from certain activities can be considered taxable for federal tax purposes as unrelated business income and provisions for taxes are recorded when appropriate.

Contributed Services:

The Foundation recognizes contribution revenue for professional services received at the fair value of those services and records them as both an increase in gifts and grants and in the appropriate expense category. For the years ended June 30, 2018 and 2017, professional services recorded in the accompanying financial statements totaled \$83,000 and \$25,440, respectively.

A number of volunteers of the Museum have made significant contributions of their time to develop the Foundation's programs. The value of this contributed time is not reflected in these statements as it does not meet the criteria of Accounting for Contributions Received and Contributions Made under the FASB Accounting Standards Codification.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable:

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Foundation's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected.

Component Units:

The Foundation is considered a component unit of the State of Florida (the State) through FSU, as defined by Governmental Accounting Standards Board Statement No. 14. As such, the Foundation's financial statements will be included with the State's through its inclusion in the financial statements of FSU. This has no effect on the Foundation's reporting requirements or basis of presentation.

Summarized Financial Information for 2017:

The financial statements include certain prior-year summarized comparative information in total but not by asset class. Such information doesn't include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended June 30, 2017 from which the information was summarized.

Subsequent Events:

Management evaluated all activity of the Foundation through September 28, 2018 the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition or disclosure in the financial statements or notes.

NOTE B – INVESTMENTS

Investments in marketable equity securities with readily determinable fair values are stated at fair value based on quoted prices in active markets (all Level 1 measurements). Unrealized gains and losses are included in the change in net assets. During the fiscal years ended June 30, 2018 and 2017, the Foundation's investments appreciated \$90,781 and \$254,007, respectively. Investments consist of the following at June 30:

	<u>2018</u>	<u>2017</u>
Mutual funds	\$ 2,326,832	\$ 2,173,449
Exchange traded funds	2,235,535	2,130,812
	<u>\$ 4,562,367</u>	<u>\$ 4,304,261</u>

The Foundation is considered a direct support organization of the FSU system, therefore Governmental Accounting Standards Board (GASB) No. 40, Deposit and Investment Risk Disclosures must be implemented. The following disclosures fulfill the reporting requirement under GASB 40, as well as accounting principles generally accepted in the United States of America.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE B – INVESTMENTS (CONTINUED)

The Foundation, in accordance with their Investment Management Policy, has the ability to invest in a variety of instruments including overnight investments, Treasury bills, large cap growth and value equities, small/mid cap equities, international equities, and other fixed income instruments. The Foundation is limiting the investment activity of the Fine Arts Endowment to high quality fixed income instruments.

Credit Risk. The Foundation, in accordance with their investment management policy, has the ability to invest in a variety of instruments including overnight investments, Treasury bill, large cap growth and value equities, small/mid cap equities, international equities, and other fixed income instruments.

Concentration of Credit Risk. The Foundation, in accordance with their investment management policy, established target allocation percentages by type of accounts that provide target asset and class allocations.

Investment Rate Risk. The Foundation is limiting the investment activity of the Fine Arts Endowment to high quality fixed income instruments. This endowment comprises approximately 28% of total investments. The Foundation's investment policy does not limit the investment maturities of the remainder of its portfolio as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE C – FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.
- Level 2 – Inputs to the valuation methodology include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets or liabilities in inactive markets;
 - inputs other than quoted prices that are observable for the asset or liability;
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Funds: Consist of fixed income and equity funds valued using the closing price reported in the active market in which the individual securities are traded. All mutual funds are considered Level 1.

Exchange Traded Funds: Consist of fixed income and equity funds valued using the closing price reported in the active market in which the individual securities are traded. All exchange traded funds are considered Level 1.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of June 30, 2018 and 2017:

Assets at Fair Value as of June 30, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 1,410,100	\$ 0	\$ 0	\$ 1,410,100
International	172,054	0	0	172,054
Growth	293,409	0	0	293,409
Value	271,635	0	0	271,635
Mid-cap	113,461	0	0	113,461
All-cap	66,172	0	0	66,172
Exchange traded funds:				
Fixed income	810,117	0	0	810,117
International	192,874	0	0	192,874
Value	470,394	0	0	470,394
Growth	470,226	0	0	470,226
Mid-cap	181,380	0	0	181,380
Small-cap	110,545	0	0	110,545
Total assets at fair value	<u>\$ 4,562,367</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,562,367</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE C - FAIR VALUE MEASUREMENTS (CONTINUED)

Assets at Fair Value as of June 30, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Fixed income	\$ 1,407,137	\$ 0	\$ 0	\$ 1,407,137
International	113,325	0	0	113,325
Growth	232,959	0	0	232,959
Value	227,661	0	0	227,661
Real estate	20,635	0	0	20,635
Mid-cap	93,814	0	0	93,814
Small-cap	13,736	0	0	13,736
Other	64,182			64,182
Exchange traded funds:				
Fixed income	765,986			765,986
International	215,532	0	0	215,532
Value	430,872	0	0	430,872
Growth	430,749	0	0	430,749
Real estate	28,298	0	0	28,298
Mid-cap	164,254	0	0	164,254
Small-cap	95,121	0	0	95,121
Total assets at fair value	<u>\$ 4,304,261</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,304,261</u>

NOTE D – PROPERTY AND EQUIPMENT

Property and equipment are summarized as follows at June 30:

	<u>2018</u>	<u>2017</u>
Building and improvements	\$ 917,218	\$ 917,218
Furniture, fixtures and equipment	<u>1,179,033</u>	<u>1,095,021</u>
	2,096,251	2,012,239
Less accumulated depreciation	<u>1,653,857</u>	<u>1,533,692</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 442,394</u>	<u>\$ 478,547</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE E – RELATED PARTY TRANSACTIONS

Transfers to FSU consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Reimbursement of salary related to membership	\$ 120,194	\$ 97,510
Reimbursement of salary related to circus archives	48,360	10,668
	<u>\$ 168,554</u>	<u>\$ 108,178</u>

Accounts payable on the Statements of Financial Position includes salaries and wages payable to FSU totaling \$135,148 and \$0 for the years ended June 30, 2018 and 2017, respectively.

Ticket sales related to the Foundation events are collected by FSU and then subsequently disbursed by FSU to the Foundation. Additionally, the Foundation will occasionally pay vendors for services or items that are to be subsequently reimbursed by FSU. Receivables from FSU as of June 30, 2018 and 2017 were \$368,875 and \$9,145, respectively, and are included in accounts and grants receivable on the Statements of Financial Position.

NOTE F – RELATED PARTY RECEIVABLE

In an agreement dated January 13, 2006, and amended December 27, 2007, a donor made a \$4,100,000 gift in cash to FSU to renovate the Museum's West Wing and construct a pavilion for Asian Art. In addition, the donor made a gift of \$2,000,001 in cash to establish an endowment held at the FSU Foundation for a curatorship and future support for an Asian Art Collection and related programs.

The gift agreement was contingent upon the gifted funds qualifying for a 100% matching by the State under the Cortellis, or other matching program, and receiving said matching funds within three years of the date of the gift. During the three year period following the date of the gift agreement, the donor's gift qualified for the match, but remained unfunded. Further, due to budgetary issues, these matching programs were suspended for any new gift applications in June 2011 by the State until previously approved matchings are paid. The donor's gift remains qualified for matching as soon as program funding resumes.

Due to the significant nature of the gift, FSU proposed that the Foundation, in conjunction with FSU and the FSU Foundation pledge to provide for the temporary matching of funds, in the form of an interest free bridge loan, with the understanding that once these funds are released by the State of Florida, these amounts will be repaid. The Board of Directors of the Foundation approved this transaction on July 27, 2011 and executed a formal Memorandum of Understanding in February 2012. Pursuant to this memorandum, the Foundation will provide, interest-free, twenty-five percent (25%) of the total \$4,100,000 matching portion of the gift, with a portion of these funds totaling \$525,000 coming from Museum auxiliary funds. During the fiscal year ended June 30, 2012, the first installment in the amount of \$62,500 was paid by the Foundation. During the fiscal year ended June 30, 2014, the second installment in the amount of \$437,500 was paid by the Foundation. During fiscal year 2014, the donor filed a lawsuit seeking return of the gift. The Foundation is not a party to this action and has no conceivable liability beyond the strictly voluntary and already funded payment to benefit the Museum. The balance of the related party receivable was \$466,667 and \$500,000 as of June 30, 2018 and 2017, respectively.

During the year ended June 30, 2018, the Foundation agreed to receive annual payments on the related party receivable in the amount of \$33,333 for fifteen periods commencing on August 1, 2017 and concluding on August 1, 2031.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE G – MANAGEMENT AND GENERAL EXPENSES

Management and general expenses consisted of the following for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Accounting services	\$ 11,219	\$ 11,222
Board of directors meetings	25,635	24,509
Depreciation	120,166	126,102
Events, rentals, and store	16,773	10,347
Facilities and security	55,814	19,591
Human resources	42,321	39,649
Insurance and audit	34,256	33,785
Management and administration	109,212	38,045
Public relations/marketing	447,847	149,524
Technology integration	40,627	72,260
Volunteer services	27,917	26,899
	<u>931,787</u>	<u>551,933</u>
Allocated to programs and other activities	158,636	152,307
	<u>\$ 773,151</u>	<u>\$ 399,626</u>

NOTE H – UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Investment in building and equipment	\$ 442,394	\$ 478,547
Reserve for operations	2,835,786	2,807,595
Total unrestricted net assets	<u>\$ 3,278,180</u>	<u>\$ 3,286,142</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE I – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
Art acquisition	\$ 15,186	\$ 13,756
Circus Museum	45,906	74,736
Ca'd'Zan - Aeolian organ	137,755	113,880
Ca'd'Zan - other	180,351	155,701
Curatorial and conservation	31,468	11,318
Education and library	46,505	54,615
Gardens and grounds	42,567	40,826
Non-expendable endowment earnings	377,235	309,755
Other programs	31,068	28,825
Wisconsin railroad car	34,705	34,705
Total temporarily restricted net assets	<u>\$ 942,746</u>	<u>\$ 838,117</u>

NOTE J – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2018 and 2017 are restricted to investment in perpetuity, the income from which is expendable to support the following purposes:

	<u>2018</u>	<u>2017</u>
State of Florida Cultural Endowment Program	\$ 480,000	\$ 480,000
Fine arts programs, including educational programs	790,570	790,570
Salary and benefits	377,785	377,785
Contemporary art purchase from a Florida artist	25,000	25,000
Programs and publications	124,059	124,059
Total permanently restricted net assets	<u>\$ 1,797,414</u>	<u>\$ 1,797,414</u>

NOTE K – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions for the years ended June 30, 2018 and 2017, totaled \$229,301 and \$230,563, respectively, which included \$28,599 and \$29,100 respectively, of funds transferred from the endowment account to unrestricted net assets.

NOTE L – CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents and investments. The Foundation maintains its cash and cash equivalents and investments with major banks and financial institutions. At any given time, the Foundation may have cash and investment balances exceeding the federal depository insurance coverage limits. The Foundation has not experienced any losses in such accounts and does not believe such accounts are exposed to any significant credit risk.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE M – ENDOWMENTS

The Foundation's endowment consists of two separate investment funds established for a variety of purposes, resulting from donor restrictions. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of Relevant Law:

The Foundation has adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Foundation has interpreted UPMIFA as requiring the presentation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as unrestricted or temporarily restricted net assets based on the donor direction and the Board's current interpretation of UPMIFA.

Return Objectives and Risk Parameters:

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment assets. The following summarizes the endowment account policies:

Fine Arts Endowments – These funds represent two State Matching Share awards from the Florida Department of State through the Cultural Endowment Program Trust Fund. The Foundation is contractually obligated to protect the principal of these endowed funds and invest according to an agreed upon investment plan outlined in the contracts. As such, the Foundation has adopted investment policies for these funds that enable them to grow and preserve capital and minimize risk by investing in high quality fixed income instruments that provide a return on investment that performs at or above the Barclays Intermediate Govt. Credit Index.

Other Endowments – The Foundation has adopted investment policies for other endowment assets that will enable them to grow and preserve capital, maintain liquidity, and provide a return on investments that performs at or above the Russell Index, MSCI EAFE, and Barclays Intermediate Govt. Credit Index.

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation, in accordance with their Investment Management Policy, provides for a 4% per year spending policy based on a rolling three-year average of the quarterly market values of the participating funds in support of Museum operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**THE JOHN AND MABLE RINGLING
MUSEUM OF ART FOUNDATION, INC.**

June 30, 2018 and 2017

NOTE M – ENDOWMENTS (CONTINUED)

Summary of Endowment Net Assets and Change in Endowment Net Assets:

All of the Foundation's endowments are donor restricted endowments. Changes in the endowment funds for the year ended June 30, 2018, consisted of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, Beginning of the year	\$ 0	\$ 426,706	\$ 1,797,414	\$ 2,224,120
Investment income	0	124,562	0	124,562
Net realized/unrealized losses	0	(20,455)	0	(20,455)
Fees	0	(8,028)	0	(8,028)
Endowment net assets, End of year	<u>\$ 0</u>	<u>\$ 522,785</u>	<u>\$ 1,797,414</u>	<u>\$ 2,320,199</u>

NOTE N – OPERATING LEASE COMMITMENT

The Foundation entered into an operating lease agreement for storage facilities. The lease expense for the years ended June 30, 2018 and 2017 was \$69,200. Future minimum lease payments required under the operating lease are \$34,600 in fiscal year 2019, the final year of the lease. The lease will be renegotiated in fiscal year 2019.



September 28, 2018

Board of Directors
The John and Mable Ringling Museum of Art Foundation, Inc.
Sarasota, Florida

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The John and Mable Ringling Museum of Art Foundation, Inc. (the Foundation), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered The John and Mable Ringling Museum of Art Foundation, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of The John and Mable Ringling Museum of Art Foundation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of The John and Mable Ringling Museum of Art Foundation, Inc.'s internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hill, Barth & King LLC

Certified Public Accountants