



Consolidated Financial Statements

Rhode Island School of Design

June 30, 2025 and 2024

RHODE ISLAND SCHOOL OF DESIGN

Consolidated Financial Statements

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Independent Auditors' Report

The Board of Trustees
Rhode Island School of Design
Providence, Rhode Island

Opinion

We have audited the consolidated financial statements of Rhode Island School of Design (the "School"), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the School as of June 30, 2025, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of Rhode Island School of Design for the year ended June 30, 2024 were audited by another auditor who expressed an unmodified opinion on those statements on November 7, 2024.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.



Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.

Providence, Rhode Island
October 20, 2025

RHODE ISLAND SCHOOL OF DESIGN
Consolidated Statements of Financial Position

(Dollars in thousands)

	<i>June 30,</i>	
	2025	2024
Assets		
Cash and cash equivalents	\$ 26,358	\$ 26,439
Accounts receivable, net	1,726	1,454
Pledges receivable, net	5,572	3,453
Other assets	6,310	3,675
Investments	460,280	420,446
Right-of-use assets - operating	3,517	4,283
Property, plant and equipment, net	<u>263,486</u>	<u>272,011</u>
Total assets	<u>\$ 767,249</u>	<u>\$ 731,761</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 9,187	\$ 10,857
Deferred revenue	9,748	8,322
Obligations under long-term agreements	9,276	9,329
Lease liabilities	3,741	4,498
Bonds payable, net	<u>171,738</u>	<u>179,598</u>
Total liabilities	<u>203,690</u>	<u>212,604</u>
Net assets:		
Without donor restrictions	355,095	334,029
With donor restrictions	<u>208,464</u>	<u>185,128</u>
Total net assets	<u>563,559</u>	<u>519,157</u>
Total liabilities and net assets	<u>\$ 767,249</u>	<u>\$ 731,761</u>

RHODE ISLAND SCHOOL OF DESIGN

Consolidated Statement of Activities

Year Ended June 30, 2025
(with comparative totals for 2024)

(Dollars in thousands)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues:				
Net tuition and fees	\$ 126,951	\$ -	\$ 126,951	\$ 119,700
Gifts and pledges	2,219	2,463	4,682	5,962
Grants	316	1,713	2,029	2,728
Auxiliary enterprises	32,228	(17)	32,211	29,877
Museum services	873	-	873	708
Investment income	14,541	6,676	21,217	20,928
Other income	2,249	43	2,292	4,060
Net assets released from restrictions	11,285	(11,285)	-	-
Total operating revenues	190,662	(407)	190,255	183,963
Operating expenses:				
Salaries and wages	93,728	-	93,728	92,465
Benefits	25,440	-	25,440	24,054
Contracted services	20,894	-	20,894	21,788
Depreciation, amortization, and interest	23,546	-	23,546	23,173
Utilities, plant, and equipment	13,812	-	13,812	14,417
Supplies and general	9,215	-	9,215	9,632
Other operating expenses	3,018	-	3,018	3,482
Total operating expenses	189,653	-	189,653	189,011
Change in net assets from operating activities	1,009	(407)	602	(5,048)
Nonoperating activities:				
Investment return, net of amounts used in operations	20,057	13,591	33,648	25,591
Gifts and pledges	-	10,152	10,152	1,282
Total nonoperating activities	20,057	23,743	43,800	26,873
Change in net assets	21,066	23,336	44,402	21,825
Net assets, beginning of year	334,029	185,128	519,157	497,332
Net assets, end of year	\$ 355,095	\$ 208,464	\$ 563,559	\$ 519,157

RHODE ISLAND SCHOOL OF DESIGN

Consolidated Statement of Activities

Year Ended June 30, 2024

(Dollars in thousands)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Operating revenues:			
Net tuition and fees	\$ 119,700	\$ -	\$ 119,700
Gifts and pledges	2,846	3,116	5,962
Grants	352	2,376	2,728
Auxiliary enterprises	29,877	-	29,877
Museum services	708	-	708
Investment income	14,769	6,159	20,928
Other income	4,056	4	4,060
Net assets released from restrictions	12,877	(12,877)	-
Total operating revenues	185,185	(1,222)	183,963
Operating expenses:			
Salaries and wages	92,465	-	92,465
Benefits	24,054	-	24,054
Contracted services	21,788	-	21,788
Depreciation, amortization, and interest	23,173	-	23,173
Utilities, plant, and equipment	14,417	-	14,417
Supplies and general	9,632	-	9,632
Other operating expenses	3,482	-	3,482
Total operating expenses	189,011	-	189,011
Change in net assets from operating activities	(3,826)	(1,222)	(5,048)
Nonoperating activities:			
Investment return, net of amount used in operations	15,848	9,743	25,591
Gifts and pledges	-	1,282	1,282
Total nonoperating activities	15,848	11,025	26,873
Change in net assets	12,022	9,803	21,825
Net assets, beginning of year	322,007	175,325	497,332
Net assets, end of year	\$ 334,029	\$ 185,128	\$ 519,157

RHODE ISLAND SCHOOL OF DESIGN
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years Ended June 30,	
	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 44,402	\$ 21,825
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gains on investments	(53,677)	(44,920)
Depreciation and amortization expense, net of accretion of bond premium	17,485	16,584
Contributions restricted for long-term purposes	(10,605)	(1,306)
Change in obligations under long-term agreements	430	436
Non-cash change in right-of-use assets and lease liability - operating	766	1,067
Changes in operating assets and liabilities that provide (use) cash:		
Accounts receivable	(272)	2,452
Pledges receivable	(2,119)	1,116
Other assets	(2,635)	1,827
Accounts payable and accrued liabilities	260	1,664
Deferred revenue	1,426	1,938
Lease liability payments	<u>(757)</u>	<u>(1,036)</u>
Net cash (used in) provided by operating activities	<u>(5,296)</u>	<u>1,647</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,023)	(10,366)
Purchases of investments	(11,208)	(10,161)
Sales of investments	<u>25,051</u>	<u>25,561</u>
Net cash provided by investing activities	<u>2,820</u>	<u>5,034</u>
Cash flows from financing activities:		
Payments on bonds payable	(7,727)	(7,494)
Payments on obligations under long-term agreements	(483)	(672)
Proceeds from contributions restricted for long-term purposes	<u>10,605</u>	<u>1,736</u>
Net cash provided by (used in) financing activities	<u>2,395</u>	<u>(6,430)</u>
Net (decrease) increase in cash and cash equivalents	(81)	251
Cash and cash equivalents at beginning of year	<u>26,439</u>	<u>26,188</u>
Cash and cash equivalents at end of year	\$ <u>26,358</u>	\$ <u>26,439</u>
Supplemental cash flow disclosures:		
Costs accrued for capital expenditures	\$ -	\$ 1,930
Cash paid for interest	5,126	5,384

See accompanying notes to consolidated financial statements.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies

Nature of Operations

The Rhode Island School of Design (the "School") is a private, not-for-profit art and design college founded in 1877 and located in Providence, Rhode Island. The mission of the School, through its college and museum, is to educate its students and the public in the creation and appreciation of works of art and design, to discover and transmit knowledge and to make lasting contributions to a global society through critical thinking, scholarship and innovation.

The School is accredited by the New England Commission of Higher Education, Inc. along with accreditation of specific programs by bodies recognized as accreditors to programs and fields of study. The School provides academic, residential and other services to a diverse student population predominately drawn from the Northeast region of the United States and many countries worldwide. The School provides undergraduate and graduate programs in several disciplines.

The School participates in student financial aid programs sponsored by the United States Department of Education ("ED"), which facilitates the payment of tuition and other expenses for a significant portion of its students.

Basis of Presentation

The accompanying consolidated financial statements include the accounts of the School and its wholly owned subsidiaries, RISD Holdings, Inc. ("RH") and Washington Place Holdings, LP ("Washington Place"). RH is for the exclusive purposes of acquiring, holding title to, and collecting income from, real property. Washington Place is for the purpose of endowment investment management. All significant inter-entity balances and transactions have been eliminated in consolidation.

The consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit entities which requires the School to classify its net assets into two categories based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – Net assets available for general use and not subject to donor restrictions. The Board of Trustees has designated from net assets without donor restrictions funds to function as endowment.

Net Assets With Donor Restrictions – Net assets that are subject to donor-imposed restrictions of which some are temporary in nature that may be met by the passage of time, events specified by the donor, or both, and others are perpetual in nature where the donor stipulates the resources be maintained in perpetuity. Accumulated unspent gains on perpetual funds are generally temporary in nature and are subject to the endowment spending policy as adopted by the Board of Trustees.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed restrictions on net assets, such as the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed, are reported as net assets released from restrictions between the classes of net assets.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

The School reports its activities as operating and nonoperating. Operating activities consist primarily of activities supporting the educational mission and purpose of the School. The nonoperating activities represent investment returns in excess of or less than amounts availed under the endowment spending policy, endowment and capital gifts, and gifts restricted to future periods.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with maturities of three-months or less at the time of purchase. Cash equivalents are stated at cost, which approximates fair value. Cash and cash equivalents held by investment managers are considered part of investments given the expectation of near-term investment. The School maintains its cash balances at several financial institutions, which at times may exceed insured limits. The School monitors its exposure with these cash balances and has not experienced any losses in such accounts.

Accounts and Pledges Receivable

Accounts receivable principally relate to the amounts due from students for educational, residence and dining services provided by the School. Accounts receivable is recorded net of an allowance for credit losses of \$161 for both years ended June 30, 2025 and 2024.

Unconditional promises to contribute to the School are recorded at fair value when initially pledged. Initial recording for pledges expected to be collected in one year or more is arrived at using the present value of a risk-adjusted rate to account for the inherent risk associated with the expected future cash flows. Pledges receivable are discounted at rates ranging from 1.23% to 4.65%. Conditional promises are not recorded until the conditions are substantially met.

Accounts and pledges receivable are periodically reviewed to estimate an allowance for credit losses. The School estimates expected credit losses based on relevant information about past events, current conditions, and a reasonable and supportable forecast. An account is considered uncollectible when all efforts to collect have been exhausted. Changes in the allowance for credit losses are reported in other operating expenses on the consolidated statements of activities.

Other Assets

Other assets include prepaid expenses, inventories, and assets under split-interest agreements.

Inventories consist primarily of items held for resale at the School's store and are stated at the lower of cost or net realizable value. The School uses the first-in, first-out method of accounting for inventory.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Other Assets (Continued)

Split-interest agreements are recorded at fair value as per the fair value policies described elsewhere in this section. The School has various split-interest agreements such as perpetual trusts, charitable remainder trusts, charitable gift annuities, and pooled life income funds. Assets under some of these agreements are held by outside parties, while others are held by the School. The obligations associated with certain arrangements are recorded at present value of the aggregate liability to beneficiaries based upon life expectancy and are included in accounts payable and accrued liabilities on the consolidated statements of financial position. Distributions of income from the trusts to the School are recorded as revenue and the carrying value of the assets is adjusted for changes in value over time.

Investments and Fair Value Measurements

The School's investments are recorded at fair value as per the fair value policies described below. Investment return is reported in the consolidated statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment management expenses.

The investment objective of the School is to invest its assets in a prudent manner to achieve a long-term rate of return sufficient to fund its board-approved spending policy and to increase investment value after inflation.

The School reports financial instruments in accordance with fair value standards on a recurring or non-recurring basis depending on the underlying policy of the instrument. Recurring fair value items include investments and split-interest agreements held by third parties. Non-recurring fair values include items such as the present value of expected cash flows on pledges. Fair value is defined as the price that would be required to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. In addition, the School reports certain investments using the net asset value ("NAV") per share as determined by investment managers under the so-called "practical expedient" for such investments. The practical expedient allows NAV per share to represent fair value for reporting purposes when the criteria for using this method are met. Instruments measured and reported at fair value are classified and disclosed in one of the following categories along with a category for items at NAV as follows:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 which are either directly or indirectly observable and fair value is determined through use of models or other valuation methodologies.

Level 3 - Unobservable inputs for an asset or liability that are supported by little or no market activity. The inputs into the determination of fair value require significant management judgment or estimation.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Investments and Fair Value Measurements (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. It is possible that redemption rights may be restricted or eliminated by investment managers in the future in accordance with the underlying fund agreements. Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observable inputs and a lesser degree of judgment used in measuring fair value. It is reasonably possible that changes in values of these instruments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

The School, through its outsourced primary investment firm, performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with U.S. GAAP. The School has assessed factors including, but not limited to, managers' compliance with the *Fair Value Measurement* standard, price transparency, valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

Leases

The School has entered into a variety of operating leases for student housing facilities, office/classroom space, museum storage, copiers and computer equipment. For all leases with a term greater than 12 months, lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the School uses its incremental borrowing rate based on the information available at the lease commencement date, a rate which represents one that would be incurred to borrow, on a collateralized basis, over a similar term, an amount equal to the lease payments in a similar economic environment.

Lease terms may include options to renew and/or terminate the lease, which can impact the lease term. The exercise of these options is at the School's discretion and the School does not include any of these options within the expected lease term where it is not reasonably certain that these options will be exercised.

Lease expense is recognized on the straight-line basis over the lease term as an operating expense. The School recognizes variable expenses, other than those related to indices or specifically identified in the lease arrangements, in operating expenses in the period in which the obligation is incurred.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Leases (Continued)

Portions of certain buildings for cellular, retail, restaurant and office space are leased to others. RH leases buildings which generally have a lease term of five years or less expiring through 2032 and the School leases property for cellular use with a term of ten years, ending in 2028. These leases are classified as operating leases and are included in other income on the consolidated statements of activities. Given the limited amounts involved, management has not included more detailed information on leases to others.

Property, Plant and Equipment

Property, plant and equipment over a management established capitalization threshold are recorded at cost at the date of acquisition or the fair value as of the date of the gift as per the fair value policies described elsewhere in this section. Depreciation is computed on the straight-line method over the asset's estimated useful life.

Expenditures for maintenance, repairs, and depreciation are expensed as incurred. Upon sale or retirement, the cost of the asset and the related accumulated depreciation are removed from the respective accounts, and any resulting gains or losses are reflected in the consolidated statements of activities.

Interest costs incurred as a result of borrowing to fund a specific project, if applicable, are capitalized as part of the cost of the asset during the construction period and are included within construction in progress until the related asset is placed in service, at which point the capitalized interest costs are amortized over the respective asset's estimated useful life.

Collections

The School does not capitalize or assign value to the museum collections. The majority of the School's collections reside in the museum and consists of artifacts of historical significance, art objects and books that are held for educational, research and curatorial purposes. Each of the items are cataloged, preserved, and cared for and activities verifying their existence and assessing their condition are performed periodically. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or to support the direct care of existing collections.

Deferred Revenue

Deferred revenue primarily represents tuition and fees received for programs and services to be conducted predominantly in the next fiscal year.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Asset Retirement Obligations

Asset retirement obligations are measured at the present value of expected future cash flows required to satisfy legal obligations related to the remediation or disposal of buildings and equipment. Management estimates the present value of certain known retirement obligations based on the expected timing of cash flows to address these requirements. The asset retirement obligations amounted to \$6,494 and \$6,165 at June 30, 2025 and 2024, respectively, and is included in obligations under long-term agreements in the consolidated statements of financial position.

Revenue Recognition

Revenues are reported as increases in net assets without donor restrictions unless the use of the related asset is limited by donor-imposed restrictions. The School reports earned revenue and contributed support.

Earned Revenue

Earned revenue is recorded using a principles based process that requires organizations to: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied. Earned revenue includes tuition and fees as well as auxiliary services. Auxiliary services include revenue earned from the RISD Store, dining halls, residence halls, and other on-campus undertakings that provide services to students, faculty, and staff for fees directly related, but not necessarily equivalent to the cost of the services.

Revenue from tuition, fees, dining halls, and residence halls are recorded at established rates, net of institutional financial aid and scholarships provided directly to students and therefore amounts are deemed to be fixed and determinable. Such net amounts are recorded as revenue when performance obligations are satisfied which is generally over time as services are rendered whether relating to educational services or auxiliary services such as room and board. Management believes that recognizing revenue over time is the best measure of services rendered based on its academic calendar and has not made any changes in the timing for its satisfaction of its performance obligations or amounts allocated to those obligations. Management does not consider there to be significant judgment involved in the timing of satisfaction of performance obligations as those are directly linked to the academic calendar of the related academic activity.

Tuition discounts provided to employees are considered part of fringe benefits within operating expenses and likewise are recorded over time. Payments made by third parties, such as ED, relative to loans and grants to students are a mechanism to facilitate payment on behalf of students, and accordingly, such funding does not represent revenue to the School.

Auxiliary services revenue, except for dining and residence halls, is recorded at the point in time goods or services are provided.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Contributed Support

Gifts and pledges are recognized as revenue in the period verifiably committed by the donor. Gifts of assets other than cash are recorded at their estimated fair value per the fair value policies described elsewhere in this section. Gifts with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses consistent with the gift purchase are recorded as net assets with donor restrictions and released to net assets without donor restrictions when such time or purpose restriction has been satisfied. Gifts specified for the acquisition or construction of long-lived assets are released to net assets without donor restrictions when the assets are placed in service.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their expected future cash flows using a risk-adjusted discount rate depending on the time period involved. The related revenue is recorded as net assets with donor restrictions until collected and any other restrictions are met, if so restricted by the donor.

Private grants are generally deemed to be exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants are generally one year or less in duration.

Government grants and contracts are deemed to be non-exchange (nonreciprocal) transactions. Most grants and contracts are on a cost reimbursement basis and require the School to incur eligible expenses prior to the release of funds.

Conditional gifts, pledges and grants are recorded as revenue when such amounts become unconditional which generally involves the meeting of a barrier to entitlements. This can include items such as matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs or other barriers.

Functional Allocation of Expenses

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the School. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation and amortization expense. The School applies various methods to allocate costs among the program and support functions, the most significant of which is by the amount of building space utilized. Fundraising expenses amounted to \$6,650 and \$8,197 for the years ended June 30, 2025 and 2024, respectively.

Tax Status and Uncertain Tax Positions

The School is generally exempt from federal income taxes under Internal Revenue Code (IRC) Sections 501(c)(3) and 501(c)(25) and from state income taxes under IRC Section 501(a). Certain of the School's investments and potentially other activities create unrelated business income, which is subject to tax. Given the limited taxable activities of the School, management has elected to not include information related to tax provisions and deferred taxes.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 1 - Nature of Operations and Significant Accounting Policies (Continued)

Tax Status and Uncertain Tax Positions (Continued)

The School accounts for the effect of any uncertain tax positions on a “more likely than not” threshold to the recognition of the tax positions being sustained based on the technical merits of the position under scrutiny by the applicable taxing authority. If a tax position or positions are deemed to result in uncertainties of those positions, the unrecognized tax benefit is estimated based on a “cumulative probability assessment” that aggregates the estimated tax liability for all uncertain tax positions. The School has identified its tax status as a tax-exempt entity and the determination of which revenues are related or unrelated, as applicable, to be its only significant tax positions; however, the School has determined that such tax positions do not result in uncertainties requiring recognition. The School is not currently under examination by any taxing jurisdictions. The School’s Federal and state tax returns are generally open for examination for three years following the date filed.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Standards

Certain new accounting standards are effective in future years. Management’s preliminary assessment is that these items will be of limited impact to the School and, as such, has determined that detail of those pending standards is not necessary.

Reclassifications

Certain reclassifications have been made to the 2024 consolidated financial statements to conform with the 2025 presentation.

Subsequent Events

Subsequent events have been evaluated through October 20, 2025, the date the consolidated financial statements were issued. The School concluded that no material events have occurred that impact disclosures or reported amounts in the consolidated financial statements.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 2 - Liquidity and Availability of Resources

The following table shows the financial assets and liquidity sources available within one year of the consolidated statements of financial position date to meet general expenditures at June 30:

	2025	2024
Financial assets available		
Cash and cash equivalents	\$ 13,148	\$ 11,037
Accounts receivable, net	1,726	1,454
Investments appropriated for spending in following year	<u>13,142</u>	<u>13,403</u>
 Total financial assets available within 12 months	 28,016	 25,894
 Liquidity resources		
Bank line of credit	<u>40,000</u>	<u>20,000</u>
 Total financial assets and other liquidity resources	 \$ <u>68,016</u>	 \$ <u>45,894</u>

The School's governing board has designated a portion of its resources without donor restrictions as endowment funds for general purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Board. The Board designated endowment was \$296,675 and \$274,939 at June 30, 2025 and 2024, respectively.

In addition to the noted available financial assets, a significant portion of the School's annual expenditures will be funded by current year operating revenues. The School's cash flows have seasonal variations during the year, attributable to tuition billing and concentration of contributions received at calendar and fiscal year end. As part of the School's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 3 - Pledges Receivable

Pledges receivable are expected to be realized in the following periods at June 30:

	2025	2024
In one year or less	\$ 1,879	\$ 1,878
Between one year and five years, net of discount	3,631	1,210
Five years and over, net of discount	<u>613</u>	<u>705</u>
	6,123	3,793
 Less: Allowance for credit losses	 <u>(551)</u>	 <u>(340)</u>
 Total pledges receivable, net	 \$ <u>5,572</u>	 \$ <u>3,453</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 4 - Investments and Fair Value of Financial Instruments

The valuation of the School's financial instruments are as follows at June 30:

		2025						
		<u>Level 1</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>			
Investments								
Cash and cash equivalents	\$	865	\$	-	\$	865		
Multi-strategy limited partnership investment fund		-	-	442,349		442,349		
Private equity		-	-	17,066		17,066		
		<u>865</u>	<u>-</u>	<u>459,415</u>		<u>460,280</u>		
Beneficial interest held by third parties and other investments		<u>2,308</u>	<u>1,613</u>	<u>-</u>		<u>3,921</u>		
	\$	<u>3,173</u>	\$	<u>1,613</u>	\$	<u>459,415</u>	\$	<u>464,201</u>
		2024						
		<u>Level 1</u>	<u>Level 3</u>	<u>NAV</u>	<u>Total</u>			
Investments								
Cash and cash equivalents	\$	1,110	\$	-	\$	1,110		
Multi-strategy limited partnership investment fund		-	-	401,214		401,214		
Private equity		-	-	18,122		18,122		
		<u>1,110</u>	<u>-</u>	<u>419,336</u>		<u>420,446</u>		
Beneficial interest held by third parties and other investments		<u>-</u>	<u>1,525</u>	<u>-</u>		<u>1,525</u>		
	\$	<u>1,110</u>	\$	<u>1,525</u>	\$	<u>419,336</u>	\$	<u>421,971</u>

There were no transfers between levels for the years ended June 30, 2025 and 2024. The School has no plans or intentions to liquidate any NAV practical expedient investments at other than NAV per share.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 4 - Investments and Fair Value of Financial Instruments (Continued)

Investment liquidity and unfunded commitments for certain investments is as follows at June 30:

		2025			
		<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
Investment type					
Cash and cash equivalents	\$	865	\$ -	Liquid	N/A
Multi-strategy limited partnership investment fund		442,349	307	Semiannually	120 Days
Private equity		17,066	1,053	At Manager's Discretion	
Total	\$	<u>460,280</u>	<u>1,360</u>		
		2024			
		<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Notice Period</u>
Investment type					
Cash and cash equivalents	\$	1,110	\$ -	Liquid	N/A
Multi-strategy limited partnership investment fund		401,214	307	Semiannually	120 Days
Private equity		18,122	1,308	At Manager's Discretion	
Total	\$	<u>420,446</u>	<u>1,615</u>		

Investment return is as follows for the years ended June 30:

	2025	2024
Interest and dividend income	\$ 1,188	\$ 1,599
Net realized gains	22,678	22,072
Net unrealized gains	33,429	25,074
Investment management fees	<u>(2,430)</u>	<u>(2,226)</u>
Total investment return	<u>\$ 54,865</u>	<u>\$ 46,519</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 5 - Property, Plant and Equipment

Property, plant and equipment, net are as follows at June 30:

	2025	2024	<i>Estimated Useful Lives</i>
Land	\$ 11,731	\$ 11,731	-
Buildings and improvements	466,460	458,667	15-45 Years
Furniture, fixtures and equipment	84,393	80,855	5 Years
Construction in progress	4,373	6,611	-
	<u>566,957</u>	<u>557,864</u>	
Less accumulated depreciation	<u>(303,471)</u>	<u>(285,853)</u>	
Property, plant and equipment, net	<u>\$ 263,486</u>	<u>\$ 272,011</u>	

Depreciation expense for the years ended June 30, 2025 and 2024 was \$17,618 and \$17,203, respectively.

Note 6 - Deferred Revenue

The following tables present a rollforward of the activities within deferred income for the years ended June 30:

	<i>Balance at 6/30/24</i>	<i>Revenue Recognized Included in 6/30/24 Balance</i>	<i>Payments Received in Advance of Performance</i>	<i>Balance at 6/30/25</i>
Degree programs	\$ 1,563	\$ (1,563)	\$ 1,189	\$ 1,189
Continuing education programs	4,468	(4,468)	4,826	4,826
Other	<u>2,291</u>	<u>(2,291)</u>	<u>3,733</u>	<u>3,733</u>
Total deferred income	<u>\$ 8,322</u>	<u>\$ (8,322)</u>	<u>\$ 9,748</u>	<u>\$ 9,748</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 6 - Deferred Revenue (Continued)

	<i>Balance at 6/30/23</i>	<i>Revenue Recognized Included in 6/30/23 Balance</i>	<i>Payments Received in Advance of Performance</i>	<i>Balance at 6/30/24</i>
Degree programs	\$ 1,455	\$ (1,455)	\$ 1,563	\$ 1,563
Continuing education programs	3,316	(3,316)	4,468	4,468
Other	1,613	(1,613)	2,291	2,291
Total deferred income	<u>\$ 6,384</u>	<u>\$ (6,384)</u>	<u>\$ 8,322</u>	<u>\$ 8,322</u>

Note 7 - Obligations Under Long-Term Agreements

The School has a long-term obligation to a third party arising from the acquisition of a building. Based on a variety of assumptions, the current estimation is that the obligation will end on or about 2031. The principal obligation outstanding is \$2,782 and \$3,164 at June 30, 2025 and 2024, respectively.

Minimum annual obligations over the next five years and thereafter are as follows:

2026	\$ 483
2027	483
2028	483
2029	532
2030	532
Thereafter	531
Total minimum payments	<u>3,044</u>
Interest expense	<u>(262)</u>
Total obligation	\$ <u>2,782</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 8 - Leases

The weighted average remaining lease term and discount rate for operating leases are as follows for the years ended June 30:

	2025	2024
Weighted average remaining lease term	5.1 Years	6.6 Years
Weighted average discount rate	2.13%	1.14%

Lease expense amounted to \$917 and \$1,067 for the years ended June 30, 2025 and 2024, respectively.

Operating lease payments over the next five years and thereafter are as follows:

2026	\$	919
2027		726
2028		724
2029		743
2030		694
Thereafter		327
Total minimum payments		4,133
Present value discount		(392)
Total obligation	\$	3,741

Note 9 - Bonds Payable

Bonds payable consists of the following at June 30:

<u>Name</u>	<u>Original Issue</u>	<u>Fixed Rate</u>	<u>Maturity</u>	<u>2025</u>	<u>2024</u>
Rhode Island Health and Education Building Corporation					
Series 2012B	\$ 51,815	2.50% - 5.00%	2025	\$ -	\$ 2,410
Series 2018	54,950	4.00% - 5.25%	2049	51,830	52,920
Series 2020	52,905	0.82% - 3.09%	2036	49,990	51,350
Series 2021A	70,041	1.98%	2037	66,617	69,484
Bonds payable, net				168,437	176,164
Add: Unamortized premium on bonds				4,322	4,537
Less: Bond issuance costs				(1,021)	(1,103)
Bonds payable, net				\$ 171,738	\$ 179,598

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 9 - Bonds Payable (Continued)

All bond premiums and issuance costs are being accreted/amortized on the straight-line basis over the lives of the bonds which approximates the effective interest basis. Net accretion income of bond premiums and issuance costs for the years ended June 30, 2025 and 2024 was \$133 and \$308, respectively.

Rhode Island Health and Education Building Corporation (RIHEBC)

The bonds outstanding as of June 30, 2025 may be redeemed prior to maturity, at the option of the School beginning on or after August 15, 2028, in whole or in part at any time at their principal amounts, without premium, plus accrued interest to the redemption date.

The School is required to comply with financial covenants to support the Series 2021A bonds.

The School has pledged as collateral all revenue without donor restriction received in each fiscal year up to an amount equal to the debt service on the bonds due during the fiscal year.

Mandatory annual principal payments due for the next five years and thereafter are as follows:

2026	\$	7,901
2027		8,025
2028		9,213
2029		9,683
2030		10,173
Thereafter		<u>123,442</u>
Total annual principal payments	\$	<u>168,437</u>

Interest expense was \$5,059 and \$5,142 for the years ended June 30, 2025 and 2024, respectively.

Line of Credit

The School has an unsecured line of credit with a bank of \$40,000 maturing on June 15, 2027. Interest is payable monthly at the Secured Overnight Financing Rate ("SOFR") plus 1.0% (5.45% at June 30, 2025). The School had no outstanding borrowings against the line of credit as of June 30, 2025 and 2024.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 10 - Net Assets and Endowment Funds

Net assets are as follows at June 30:

	2025	2024
Without donor restrictions		
Board and internally designated funds	\$ 13,050	\$ 13,530
Board designated for endowment	296,675	274,939
Capital and other undesignated funds	45,370	45,560
Total net assets without donor restrictions	<u>355,095</u>	<u>334,029</u>
With donor restrictions		
Scholarships	1,095	1,116
Academic and institutional purposes	33,367	30,960
Museum	196	203
Endowment funds:		
Scholarships	79,795	70,786
Academic and institutional purposes	44,511	38,468
Museum	49,500	43,595
Total endowment funds	<u>173,806</u>	<u>152,849</u>
Total net assets with donor restrictions	<u>208,464</u>	<u>185,128</u>
Total net assets	\$ <u>563,559</u>	\$ <u>519,157</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows for the years ended June 30:

	2025	2024
Donors imposed restrictions		
Scholarships	\$ 3,101	\$ 3,081
Academic and institutional purposes	5,644	7,504
Museum	<u>2,540</u>	<u>2,292</u>
Net assets released from restrictions	\$ <u>11,285</u>	\$ <u>12,877</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 10 - Net Assets and Endowment Funds (Continued)

The School's endowment consists of approximately 300 individual donor-restricted endowment funds and 35 board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivable, split-interest agreements, and other net assets. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The School's Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the original gift as of the gift date(s) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the School classifies as net assets with donor restrictions, (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 is also classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the School in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the School considers the following factors in making a determination to appropriate or accumulate endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the School and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and appreciation of investments
- (6) Other resources of the School
- (7) The investment policies of the School

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 10 - Net Assets and Endowment Funds (Continued)

Endowment net assets consist of the following at June 30:

	2025		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board-designated endowment net assets	\$ 296,675	\$ -	\$ 296,675
Donor-restricted endowment net assets:			
Original donor-restricted gift	-	93,153	93,153
Accumulated gains	-	80,653	80,653
Total donor-restricted endowment net assets	<u>-</u>	<u>173,806</u>	<u>173,806</u>
Total endowment net assets	\$ <u>296,675</u>	\$ <u>173,806</u>	\$ <u>470,481</u>

	2024		
	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Board-designated endowment net assets	\$ 274,939	\$ -	\$ 274,939
Donor-restricted endowment net assets:			
Original donor-restricted gift	-	84,889	84,889
Accumulated gains	-	67,960	67,960
Total donor-restricted endowment net assets	<u>-</u>	<u>152,849</u>	<u>152,849</u>
Total endowment net assets	\$ <u>274,939</u>	\$ <u>152,849</u>	\$ <u>427,788</u>

Changes in endowment net assets are as follows for the years ended June 30:

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Balance, July 1, 2024	\$ 274,939	\$ 152,849	\$ 427,788
Investment return, net	34,139	19,275	53,414
Gifts	1,000	8,264	9,264
Endowment return allocated for spending	<u>(13,403)</u>	<u>(6,582)</u>	<u>(19,985)</u>
Balance, June 30, 2025	\$ <u>296,675</u>	\$ <u>173,806</u>	\$ <u>470,481</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 10 - Net Assets and Endowment Funds (Continued)

	<i>Without Donor Restrictions</i>	<i>With Donor Restrictions</i>	<i>Total</i>
Balance, July 1, 2023	\$ 258,802	\$ 139,835	\$ 398,637
Investment return, net	29,353	15,863	45,216
Gifts	17	3,283	3,300
Endowment return allocated for spending	<u>(13,233)</u>	<u>(6,132)</u>	<u>(19,365)</u>
Balance, June 30, 2024	\$ <u>274,939</u>	\$ <u>152,849</u>	\$ <u>427,788</u>

The following provides additional information about the School's policies regarding the management of its endowment assets.

Endowment Funds with Deficits

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts ("underwater"). When donor endowment deficits exist, they are classified as a reduction of donor-restricted net assets. Deficiencies of this nature did not exist as of June 30, 2025 and 2024.

Return Objectives and Risk Parameters

The School has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle of approximately five years, is to maximize the return against various market indexes across the investment portfolio as determined by the Investment Committee while minimizing risk. The goal of each investment manager over the investment horizon is to exceed the appropriate market index. The overall portfolio is intended to embody no greater risk than the risk of a blend of the indexes assigned to the managers.

Strategies Employed for Achieving Investment Objectives

To achieve its long-term rate of return objectives, the School relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends).

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The Trustees of the School determine the method to be used to appropriate endowment funds for expenditure. In 2025 and 2024, the spending policy was to spend 5% of the average market value of the total investments for the previous twelve quarters as determined annually on December 31.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 11 - Tuition and Fees

Revenue from tuition and fees recognized by the School reflects aggregate reductions as follows at June 30:

	2025	2024
Tuition and fees	\$ 164,630	\$ 156,069
Less:		
School sponsored financial aid	(34,578)	(33,288)
Donor sponsored financial aid	<u>(3,101)</u>	<u>(3,081)</u>
Net tuition and fees	\$ <u>126,951</u>	\$ <u>119,700</u>

Note 12 - Functional Expenses

Operating expenses by functional and natural classification are as follows for the years ended June 30:

	2025				
	<i>Instruction and Academic Support</i>	<i>Administrative and Institutional Support</i>	<i>Auxiliary Services</i>	<i>Museum</i>	<i>Total</i>
Salaries and wages	\$ 48,598	\$ 33,150	\$ 6,298	\$ 5,682	\$ 93,728
Benefits	11,896	10,341	1,626	1,577	25,440
Contracted services	4,757	12,921	1,550	1,666	20,894
Depreciation, amortization, and interest	5,651	2,378	12,173	3,344	23,546
Utilities, plant, and equipment	2,495	10,746	339	232	13,812
Supplies and general	2,226	805	5,881	303	9,215
Other operating expenses	<u>1,690</u>	<u>1,089</u>	<u>95</u>	<u>144</u>	<u>3,018</u>
	\$ <u>77,313</u>	\$ <u>71,430</u>	\$ <u>27,962</u>	\$ <u>12,948</u>	\$ <u>189,653</u>

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 12 - Functional Expenses (Continued)

	2024				
	<i>Instruction and Academic Support</i>	<i>Administrative and Institutional Support</i>	<i>Auxiliary Services</i>	<i>Museum</i>	<i>Total</i>
Salaries and wages	\$ 47,715	\$ 32,905	\$ 5,963	\$ 5,882	\$ 92,465
Benefits	12,643	7,917	1,730	1,764	24,054
Contracted services	6,606	12,743	806	1,633	21,788
Depreciation, amortization, and interest	5,553	2,342	11,989	3,289	23,173
Utilities, plant, and equipment	3,275	10,184	490	468	14,417
Supplies and general	2,500	1,153	5,666	313	9,632
Other operating expenses	1,619	1,629	62	172	3,482
	<u>\$ 79,911</u>	<u>\$ 68,873</u>	<u>\$ 26,706</u>	<u>\$ 13,521</u>	<u>\$ 189,011</u>

Note 13 - Retirement Plan

The School participates in the Teachers Insurance and Annuity Association ("TIAA") retirement plan for eligible faculty, administrative and staff employees. The School made contributions to the TIAA retirement plan which totaled approximately \$5,767 and \$5,366 for the years ended June 30, 2025 and 2024, respectively.

Note 14 - Commitments and Contingencies

In conducting its activities, from time to time the School is the subject of various claims and also has claims against others from time to time. In management's opinion, the ultimate resolution of such claims would not have a material adverse or favorable effect on the financial position of the School.

The School has collective bargaining agreements covering a significant number of faculty and staff. Such agreements expire between 2026 and 2028.

The School has long-term employment agreements with certain faculty and staff that stipulate a variety of business terms typical in the education sector.

RHODE ISLAND SCHOOL OF DESIGN

Notes to Consolidated Financial Statements

Note 15 - Risks and Uncertainties Related to Federal Policy Changes

In 2025, various executive actions and policy changes proposed or enacted by the federal government have introduced uncertainty within the higher education sector. Several of these actions have directly or indirectly impacted ED's regulatory framework, federal student aid programs, and other areas that may materially affect the operational and financial outlook of institutions of higher education.

As a recipient of federal financial aid and other federally supported programs, the School is subject to the evolving regulatory and funding environment. Any future changes in federal policy may affect the School's access to funding or its compliance obligations.

Management is actively monitoring federal decision-making and proposed regulatory changes to assess potential impacts on the School's operations, financial aid administration, and broader strategic planning. The School will continue to evaluate developments at the federal level to respond appropriately to any changes that could affect its financial position, results of operations, or future enrollment.