# Stetson University, Inc.

Consolidated Financial Report
June 30, 2015

McGladrey

Assurance ▪ Tax ▪ Consulting

**Contents**

McGladrey

**Independent Auditor's Report**

To the Board of Trustees
Stetson University, Inc.
DeLand, Florida

**Report on the Financial Statements**
We have audited the accompanying consolidated financial statements of Stetson University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**
Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Information**
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.650, *Rules of the Auditor General of the State of Florida*, and is not a required part of the consolidated financial statements. The accompanying Supplementary Disaggregated Statement of Financial Position is presented for purposes of additional analysis and is not a required part of the consolidated basic financial statements.

The accompanying schedule of expenditures of federal and state awards and Supplementary Disaggregated Statement of Financial Position is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**
In accordance with *Government Auditing Standards*, we also issued our reports dated October 7, 2015 and September 26, 2014, on our consideration of the University'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 those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

McGladrey LLP

Orlando, Florida
October 7, 2015

**Stetson University, Inc.**

## Consolidated Statements of Financial Position
**June 30, 2015 and 2014**
**(In Thousands)**

| | | 2015 | | 2014 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **$** | **14,177** | $ | 15,452 |
| Restricted cash (Note 1) | | **36,125** | | - |
| Short-term investments | | **5,071** | | 2,578 |
| Notes and accounts receivable, net (Note 2) | | **13,351** | | 15,072 |
| Pledges receivable, net (Note 3) | | **17,868** | | 14,610 |
| Inventories | | **242** | | 260 |
| Investments (Notes 4 and 15) | | **203,553** | | 202,182 |
| Funds held in trust by others (Note 6) | | **9,584** | | 9,931 |
| Property, plant and equipment, net (Note 7) | | **152,230** | | 135,447 |
| Other assets | | **3,200** | | 3,077 |
| Investment in affiliated entity (Note 13) | | **3,859** | | 3,871 |
| **Total assets** | **$** | **459,260** | $ | 402,480 |
| | | | | |
| **Liabilities and Net Assets** | | | | |
| Liabilities: | | | | |
| Accounts payable | **$** | **5,000** | $ | 5,115 |
| Accrued liabilities | | **7,758** | | 7,190 |
| Student deposits and other current liabilities | | **5,485** | | 4,832 |
| Postretirement benefits (Note 10) | | **6,827** | | 7,952 |
| Refundable government loan funds | | **5,148** | | 5,039 |
| Annuities payable | | **2,184** | | 2,381 |
| Long-term debt (Note 8) | | **107,484** | | 54,067 |
| **Total liabilities** | | **139,886** | | 86,576 |
| | | | | |
| Net Assets | | | | |
| Unrestricted | | **135,958** | | 138,483 |
| Temporarily restricted (Note 14) | | **50,589** | | 50,135 |
| Permanently restricted (Note 14) | | **132,827** | | 127,286 |
| **Total net assets** | | **319,374** | | 315,904 |
| **Total liabilities and net assets** | **$** | **459,260** | $ | 402,480 |

See Notes to Financial Statements.

**Stetson University, Inc.**

**Consolidated Statement of Activities**
**Year Ended June 30, 2015**
**(In Thousands)**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Revenues, gains, and other support: | | | | |
| Tuition and fees (net of scholarships and fellowships of $68,530) | $ 82,048 | $ - | $ - | $ 82,048 |
| Contributions | 1,008 | 2,978 | - | 3,986 |
| Income and realized gains on investments – net of fees | 412 | (1) | - | 411 |
| Endowment income used in operations | 2,776 | 6,106 | - | 8,882 |
| Sales of educational services | 3,748 | - | - | 3,748 |
| Sales and services of auxiliary enterprises | 20,971 | - | - | 20,971 |
| Government grants | 1,498 | - | - | 1,498 |
| Other | 2,679 | 70 | - | 2,749 |
| Unrealized loss on investments | (154) | - | - | (154) |
| Net assets released from restrictions | 9,053 | (9,053) | - | - |
| **Total operating revenues, gains and other support** | 124,039 | 100 | - | 124,139 |
| **Operating expenses** | | | | |
| Educational and general: | | | | |
| Instruction | 51,305 | - | - | 51,305 |
| Research | 380 | - | - | 380 |
| Public service | 1,473 | - | - | 1,473 |
| Academic support | 13,792 | - | - | 13,792 |
| Student services | 22,450 | - | - | 22,450 |
| Institutional support | 20,150 | - | - | 20,150 |
| **Total education and general** | 109,550 | - | - | 109,550 |
| Auxiliary enterprises | 16,430 | - | - | 16,430 |
| **Total operating expenses** | 125,980 | - | - | 125,980 |
| **Change in net assets from operations** | (1,941) | 100 | - | (1,841) |
| **Nonoperating activities** | | | | |
| Contributions for non-operating activities | - | 5,382 | 5,726 | 11,108 |
| Funds held in trust by others | 78 | 249 | (292) | 35 |
| Income and realized gains on investments – net of fees | 3,582 | 8,903 | - | 12,485 |
| Endowment income used in operations | (2,776) | (6,106) | - | (8,882) |
| Net unrealized loss from investments | (2,308) | (5,436) | - | (7,744) |
| Change in value of split interest agreements | - | (18) | (100) | (118) |
| Postretirement changes other than net periodic cost | 1,125 | - | - | 1,125 |
| Other | (363) | (113) | 207 | (269) |
| Net assets released from restrictions | 2,495 | (2,495) | - | - |
| Decrease in investment in affiliated entity | - | (12) | - | (12) |
| Loss from early extinguishment of debt | (2,417) | - | - | (2,417) |
| **Change in net assets from non-operating activities** | (584) | 354 | 5,541 | 5,311 |
| **Change in net assets** | (2,525) | 454 | 5,541 | 3,470 |
| **Net assets** | | | | |
| Beginning of period | 138,483 | 50,135 | 127,286 | 315,904 |
| End of period | $ 135,958 | $ 50,589 | $ 132,827 | $ 319,374 |

See Notes to Financial Statements.

**Stetson University, Inc.**

**Statement of Activities**
**Year Ended June 30, 2014**
**(In Thousands)**

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| **Operating revenues** | | | | |
| Revenues, gains, and other support: | | | | |
| Tuition and fees (net of scholarships and fellowships of $61,927) | $ 79,541 | $ - | $ - | $ 79,541 |
| Contributions | 1,994 | 4,278 | - | 6,272 |
| Income and realized gains on investments – net of fees | 553 | (31) | - | 522 |
| Endowment income used in operations | 2,403 | 4,899 | - | 7,302 |
| Sales of educational services | 3,646 | - | - | 3,646 |
| Sales and services of auxiliary enterprises | 18,812 | - | - | 18,812 |
| Government grants | 1,419 | - | - | 1,419 |
| Other | 3,377 | (29) | - | 3,348 |
| Unrealized loss on investments | (240) | - | - | (240) |
| Net assets released from restrictions | 11,525 | (11,525) | - | - |
| **Total operating revenues, gains and other support** | 123,030 | (2,408) | - | 120,622 |
| **Operating expenses** | | | | |
| Educational and general: | | | | |
| Instruction | 49,423 | - | - | 49,423 |
| Research | 696 | - | - | 696 |
| Public service | 1,056 | - | - | 1,056 |
| Academic support | 13,602 | - | - | 13,602 |
| Student services | 21,793 | - | - | 21,793 |
| Institutional support | 19,184 | - | - | 19,184 |
| **Total education and general** | 105,754 | - | - | 105,754 |
| Auxiliary enterprises | 16,265 | - | - | 16,265 |
| **Total operating expenses** | 122,019 | - | - | 122,019 |
| **Change in net assets from operations** | 1,011 | (2,408) | - | (1,397) |
| **Nonoperating activities** | | | | |
| Contributions for non-operating activities | - | 2,934 | 8,611 | 11,545 |
| Funds held in trust by others | 81 | 235 | 694 | 1,010 |
| Income and realized gains on investments – net of fees | 4,135 | 8,323 | - | 12,458 |
| Endowment income used in operations | (2,403) | (4,899) | - | (7,302) |
| Net unrealized gain from investments | 5,131 | 10,279 | - | 15,410 |
| Change in value of split interest agreements | - | (26) | 67 | 41 |
| Postretirement changes other than net periodic cost | 313 | - | - | 313 |
| Other | (98) | (124) | (113) | (335) |
| Net assets released from restrictions | 1,363 | (1,363) | - | - |
| Increase in investment in affiliated entity | - | 401 | - | 401 |
| **Change in net assets from non-operating activities** | 8,522 | 15,760 | 9,259 | 33,541 |
| **Change in net assets** | 9,533 | 13,352 | 9,259 | 32,144 |
| **Net assets** | | | | |
| Beginning of period | 128,950 | 36,783 | 118,027 | 283,760 |
| End of period | $ 138,483 | $ 50,135 | $ 127,286 | $ 315,904 |

See Notes to Financial Statements.

**Stetson University, Inc.**

**Statements of Cash Flows**
**Years Ended June 30, 2015 and 2014**
**(In Thousands)**

| | **2015** | 2014 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Change in net assets | **$ 3,470** | $ 32,144 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Contributions restricted for long-term investment | **(7,097)** | (18,062) |
| Depreciation and amortization | **8,517** | 8,392 |
| (Gain)/loss on disposal of property, plant and equipment | **(269)** | 34 |
| Income and net realized gains from long-term investments | **(12,485)** | (12,458) |
| Net unrealized (gain)/loss from long-term investments | **7,741** | (15,410) |
| Amortization of bond premium and issuance costs | **(81)** | 1 |
| Change in value of split-interest agreements | **164** | (87) |
| Change in investment in affiliated entity | **12** | (401) |
| Loss on bond refunding | **2,417** | - |
| Accrued interest financed by new debt issue | **564** | - |
| Forgiveness of long-term debt | **(15)** | - |
| Changes in assets and liabilities: | | |
| (Increase) decrease in assets: | | |
| Notes and accounts receivable | **1,837** | (5,316) |
| Pledges receivable | **(3,258)** | 6,344 |
| Inventories | **18** | - |
| Funds held in trust by others | **347** | (625) |
| Other assets | **(123)** | (34) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | **(52)** | 150 |
| Accrued liabilities | **568** | 567 |
| Student deposits and other current liabilities | **653** | 1,053 |
| Postretirement benefits | **(1,125)** | (313) |
| **Net cash provided by (used in) operating activities** | **1,803** | (4,021) |
| Cash Flows From Investing Activities | | |
| Purchases of property, plant and equipment | **(25,397)** | (7,448) |
| Proceeds from sales of property, plant and equipment | **366** | 63 |
| Student loans issued | **(806)** | (923) |
| Proceeds from student loan collections | **690** | 672 |
| Purchases of investments | **(210,670)** | (115,762) |
| Proceeds from maturities and sales of investments | **211,484** | 111,161 |
| **Net cash used in investing activities** | **(24,333)** | (12,237) |
| Cash Flows From Financing Activities | | |
| Proceeds from contributions received for: | | |
| Investment in endowment | **4,248** | 15,048 |
| Investment in plant and other | **2,849** | 3,014 |
| | **7,097** | 18,062 |

(Continued)

**Stetson University, Inc.**

**Statements of Cash Flows**
**Years Ended June 30, 2015 and 2014**
**(In Thousands)**

| | 2015 | 2014 |
|---|---|---|
| Other financing activities: | | |
| Increase in federal student loan funds | **109** | 99 |
| Proceeds from long-term debt | **50,877** | - |
| Net bond proceeds in restricted cash | **(36,125)** | - |
| Payments on capital leases | **(63)** | (81) |
| Payments on long-term debt | **(345)** | (2,334) |
| Payments on annuities payable | **(295)** | (320) |
| | **14,158** | (2,636) |
| **Net cash provided by financing activities** | **21,255** | 15,426 |
| **Net change in cash and cash equivalents** | **(1,275)** | (832) |
| | | |
| Cash and Cash Equivalents | | |
| Beginning | **15,452** | 16,284 |
| | | |
| Ending | **$ 14,177** | $ 15,452 |
| | | |
| Supplemental Disclosures of Cash Flow Information | | |
| Interest paid | **$ 1,923** | $ 2,163 |
| Bond proceeds used for refunding of prior debt | **$ 56,168** | $ - |

See Notes to Financial Statements.

## Note 1. Nature of Organization and Significant Accounting Policies

**Nature of organization:** Stetson University, Inc. (the University) is a nonprofit institution subject to the rules and regulations of IRS Section 501(c)(3). The University consists of four separate campuses at the following locations:

Stetson University (main campus)
421 North Woodland Boulevard
DeLand, FL 32723

Stetson University Center at Celebration
800 Celebration Avenue, Suite 104
Celebration, FL 34747

Stetson University College of Law
1401 61st Street South
Gulfport, FL 33707

Tampa Law Center and Campus
1700 North Tampa Street
Tampa, FL 33602

Consolidated with the University's financial statements is the activity for GSH Investments, LLC, in which Stetson is the sole member. GSH Investments was created during fiscal year 2015 to acquire and manage a 24-unit apartment complex during its transition from a privately occupied residential facility to a student occupied residence hall. The property will be managed as a rental property through March 2016, after which time the University will purchase the property from the LLC and operate it as a student residence facility.

The accompanying consolidated financial statements were prepared on the accrual basis of accounting. Revenues and support are reported when earned or unconditionally received. Expenses are recorded when purchases of materials or services are made. Revenues earned and expenses incurred applicable to the current period are accrued while those applicable to future periods are deferred.

A summary of the University's significant accounting policies follows:

Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

**Permanently restricted:** Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related assets for general or specific purposes.

**Temporarily restricted:** Net assets that carry restrictions that expire upon the passage of a prescribed period of time or upon the occurrence of a stated event as specified by the donor. Included in this category are gifts held by the University pending their use in accordance with donor stipulations, unexpended gifts for capital projects, and pledges.

**Unrestricted:** Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements.

Expenses are reported as decreases in unrestricted net assets. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions in the accompanying statements of activities.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Operating and nonoperating activities:** The statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activity of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of scholarship bequests and other restricted gifts not solicited as part of the annual fundraising campaigns, gifts restricted for the acquisition of capital assets, and gifts restricted to endowment funds. Nonoperating activities also include realized and unrealized gains/losses on endowment income not used in operations, change in net present value of split interest agreements, change in actuarial value of the postretirement liability, and significant items of an unusual or nonrecurring nature.

**Classification of gifts:** The University reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. When restrictions are met in the year of contribution receipt, such contributions are shown as temporarily restricted revenues and as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as unrestricted contributions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted contributions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions as unrestricted when the donated or acquired long-lived assets are placed in service.

In the event a donor makes changes to the nature of a restricted gift that affect its classification among the net asset categories, such amounts are reflected as reclassifications in the revenues section of the accompanying statements of activities.

**Cash and cash equivalents:** The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, except for those short-term financial instruments included in the University’s investment accounts.

The University maintains cash accounts with several large financial institutions. All accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. The University has cash deposited that exceeds the federally insured deposit amount. Management does not anticipate nonperformance by the financial institutions. The University also places its cash equivalents and short-term investments with high-quality institutions.

Restricted cash at June 30, 2015 consists of approximately $36.1 million of proceeds from the Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015. This balance is subject to restrictions imposed by the bond covenants and limited to use on authorized bond projects. The entire balance is held on deposit with a financial institution and guaranteed by the FDIC up to the $250,000 limit mentioned in the prior paragraph. See Note 8 for further details concerning the Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015.

**Short-term investments:** Short-term investments include assets invested in a managed fund that holds highly liquid fixed- income securities, short-term U.S. Treasury securities, and other short-term investments with varying maturities for an overall fund average of less than one year. All short-term investments are recorded at fair value.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Student accounts receivable:** Student accounts receivable are reported net of any anticipated losses due to uncollectible accounts and are included in notes and accounts receivable in the accompanying statements of financial position. The University considers an account to be past due when a student still has an account balance after the final payment due date of the semester. Past due accounts are subject to past due letter collection efforts. If an account balance still exists at the conclusion of the four- to six-month collection period, the account is written off and placed with a third-party collection agency. Historical write-off history as a percentage of outstanding receivable balances is used to help establish an appropriate allowance for uncollectible accounts. The University assesses a finance charge against past due student receivables that are deferred under a monthly payment plan.

**Student loans receivable:** The University makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal Perkins loan program or institutional resources. At June 30, 2015 and 2014, student loans represented 1.1% and 1.3% of total assets, respectively.

Student loans receivable are reported net of any anticipated losses due to uncollectible loans and are included in notes and accounts receivable in the accompanying statements of financial position. The University considers a loan to be in default when it has been past due for a period of four months. Past due loans are subject to internal collection efforts for a period of six months and are subsequently placed with third-party collection agencies. The allowance for uncollectible loans is calculated using the unpaid balances of all defaulted loans and applying an allowance factor based on the length of time since the most recent payment. This calculation is performed for both the Federal Perkins and institutional loans. The Federal Perkins Loan program has provisions for deferment, forbearance, and cancellation of individual loans. The deferment and forbearance provisions of the Federal Perkins Loan program are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

**Pledges receivable:** Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, which approximates fair value at date of the pledges. Unconditional promises to give in future periods are initially recorded at estimated fair value (net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The discount rates are determined at the time the unconditional promise to give is initially received, and are determined using a risk adjusted rate applied to most likely cash flows. Amortization of the discount is included in contribution revenue. The allowance for uncollectible pledges is based on pledge activity. Large pledges are reviewed on a case-by-case basis. The write-off history as a percentage of outstanding contributions receivables is considered in establishing an appropriate allowance.

**Inventories:** Inventories are stated at the lower of cost (first-in, first-out method) or market and consist primarily of print shop inventory and maintenance supplies.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Investments:** Investments in marketable equity securities and debt securities, including mutual funds, are recorded at their estimated fair values, which are based on quoted market prices or recognized pricing services. Alternative investments (nontraditional, not readily-marketable assets) are stated at fair value as estimated in an unquoted market. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. Valuation of these investments may be determined by the investment manager. Values may be based on historical cost, appraisals, or other estimates that require varying degrees of judgment. Gifts of investments are recorded at their fair value (based upon quotations or appraisals) at date of gift. Purchases and sales of investments are recorded on the trade date. Except for investments that are held separately for specific reasons, investments are maintained in a pool. Gifts that are invested in the pool are assigned units of participation in the pool based upon their market value on the date of gift and the most recently determined unit market value for the existing units of participation. Subsequent allocations of annual income of the independent pool are based upon the number of units of participation. Withdrawals are based upon the spending policy approved by the Board of Trustees and follow the total return concept of utilizing both income and realized gain. The market value of the units of participation is calculated quarterly.

The University invests in a combination of investment securities, which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the University's investment balance reported in the statements of financial position.

**Split-interest agreements:** The University's investments include deferred giving vehicles subject to split-interest agreements. Two different types of agreements are currently maintained: Charitable Gift Annuity and Charitable Remainder Unitrust.

Charitable Gift Annuities are irrevocable gifts under which the University agrees in turn to pay a life annuity to the donor or designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the University, subject to the University's maintaining an actuarial reserve in accordance with Florida law. Charitable Remainder Unitrust gifts are time-restricted contributions not available to the University until after the death of the beneficiary, who, while living, receives an annual payout from the Trust based on a fixed percentage of the market value of the invested funds.

The University initially values deferred gifts of cash at face value and those of equities at market value, then these values are actuarially discounted. Published IRS discount rates are employed to determine the net present value of both contributions and liabilities pertaining to these deferred giving arrangements.

Of the approximately $203.6 million recorded as investments in the accompanying statement of financial position at June 30, 2015, $2.6 million represents split-interest agreements, and the associated liabilities total $2.2 million. Of the approximately $202.2 million recorded as investments in the accompanying statement of financial position at June 30, 2014, $2.9 million represented split-interest agreements, and the associated liabilities totaled $2.4 million.

**Property, plant and equipment:** Property, plant, and equipment are stated at cost at the date of acquisition or at fair value at the date of donation in the case of gifts. Expenditures that materially increase values, change capacities, or extend useful lives are capitalized, as are interest costs during the period of construction on amounts borrowed for such expenditures. Property, plant, and equipment are removed from the records and any gain or loss is recognized at the time of disposal.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The University collects works of art, historical treasures, and similar assets, which reflect the history of the institution and/or support its educational purpose. The collections are maintained for public exhibition, education, and research in furtherance of public service. Collections are protected, kept unencumbered, cared for, and preserved. The University capitalizes collections it receives as gifts. These collections are included in property, plant, and equipment and are not depreciated.

The University evaluates, on an on-going basis, the carrying value of property and equipment based on estimated future undiscounted cash flows. In the event such cash flows are not expected to be sufficient to recover the carrying value of the assets, the useful lives of the assets are revised or the assets are written down to their estimated fair values.

Depreciation is recorded on the straight-line basis. The estimated useful life of land improvements, buildings, and building improvements is five to 40 years. The estimated useful life of furniture and equipment and library books is three to ten years.

**Prepaid rents:** The University contributed to the construction of the Conrad Park baseball stadium in DeLand, Florida. In consideration for the $1.3 million contribution, the University was given a lease to use the stadium for 20 years through 2019. The prepaid rents are amortized over the life of the lease and, as of June 30, 2015 and 2014, the University had $228,000 and $293,000, respectively, included in other assets in the statements of financial position pertaining to this lease.

**Student deposits:** Student deposits represent monies collected in advance for deposits and summer tuition.

**Original issue premiums:** The original issue premiums on bonds are being amortized using the effective interest method over the life of the bonds.

**Deferred financing costs:** Deferred financing costs consist of bond issuance costs. These costs are being amortized using the effective interest method over the life of the related bonds and are netted with Long-term debt in the accompanying statements of financial position (see Note 8 for additional discussion).

**Income taxes:** The University is exempt from federal income taxation as defined by Section 501(c)(3) of the Internal Revenue Code and is generally exempt from state income taxes under the provisions of the Florida Nonprofit Corporation Act. Therefore, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

Management evaluated the University's tax positions and concluded that the College had taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (FASB ASC).

**Postretirement benefits:** The University accounts for its postretirement benefits on an accrual basis as discussed in Note 10.

**Estimates:** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the 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.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

**Tuition revenue and discounts:** Tuition is recognized when earned and is not refundable except as noted in the provisions of the University's catalog. The portion of tuition revenue for the summer term that is earned subsequent to the year ended June 30, 2015, is treated as deferred revenue and is included with student deposits and other current liabilities on the accompanying statements of financial position. The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue on the accompanying statement of activities.

**Advertising costs:** The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to approximately $710,000 and $717,000 for the years ended June 30, 2015 and 2014, respectively.

**Functional expenses:** Expenses are primarily reported in the statement of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program service is instruction and research. Expenses reported as public service, academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. The University's fund-raising expenses were approximately $3.2 million and $2.8 million for the years ended June 30, 2015 and 2014, respectively, and are included in institutional support in the statements of activities.

**Reclassification:** Certain amounts have been reclassified from prior year consolidated financial statements to conform with current year presentation. Such reclassifications had no effect on net assets or change in net assets as previously reported.

**Recent accounting pronouncements:** In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09. The amendments in this Update create Topic 606, *Revenue from Contracts with Customers*, and supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35 *Revenue Recognition – Construction-Type and Production-Type Contracts*, and create new Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments in this Update will be effective for the University's fiscal year 2019 with early adoption permitted with certain restrictions. Management has not evaluated the impact of this Update on the consolidated financial statements but believes such impact will not be material.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. The amendments in this update remove the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. However, sufficient information must be provided to permit reconciliation of the fair value of assets categorized within the fair value hierarchy to the amounts presented in the statement of financial position. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2015. For all other entities, the amendments in this Update are effective for fiscal years beginning after December 15, 2016. Early adoption is permitted. Upon adoption, the amendments shall be applied retrospectively to all periods presented. The University adopted the provisions of ASU 2015-07 in fiscal year 2015. See Note 15 for further details.

## Note 1. Nature of Organization and Significant Accounting Policies (Continued)

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30) *Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. An entity should apply the new guidance on a retrospective basis, wherein the statement of financial position of each individual period presented should be adjusted to reflect the period-specific effects of applying the new guidance. Upon transition, an entity is required to comply with the applicable disclosures for a change in an accounting principle. These disclosures include the nature of and reason for the change in accounting principle, the transition method, a description of the prior period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). For public business entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, the amendments are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The University adopted the provisions of ASU 2015-03 in fiscal year 2015. See Note 8 for further details.

## Note 2. Notes and Accounts Receivable

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Student accounts receivable (net of allowance of $419 in 2015 and $425 in 2014) | $ 1,909 | $ 1,520 |
| Student loans receivable (net of allowance of $1,957 in 2015 and $1,605 in 2014) | 4,926 | 5,190 |
| Grants receivable | 4,659 | 4,079 |
| Accrued interest receivable | 869 | 689 |
| Estate bequests | 165 | 1,725 |
| Other receivables | 823 | 1,869 |
| | $ 13,351 | $ 15,072 |

At June 30, student loans consisted of the following:

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Federal Perkins loan program | $ 6,303 | $ 6,174 |
| Institutional programs | 580 | 621 |
| | 6,883 | 6,795 |
| Less allowance for doubtful accounts: | | |
| Beginning of year | (1,605) | (1,635) |
| Adjustments | (363) | 19 |
| Write-offs | 11 | 11 |
| End of year | (1,957) | (1,605) |
| **Student loans receivable, net** | $ 4,926 | $ 5,190 |

### Note 2. Notes and Accounts Receivable (Continued)

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of approximately $5.1 million and $5.0 million at June 30, 2015 and 2014, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

At June 30, 2015 and 2014, the following principal balances were past due under student loan programs:

| | 1-60 Days Past Due | 60-90 Days Past Due | 90+ Days Past Due | Total Past Due |
|---|---|---|---|---|
| | (In Thousands) | | | |
| 2015 | $ 445 | $ 30 | $ 1,888 | $ 2,363 |
| 2014 | $ 90 | $ 65 | $ 1,836 | $ 1,991 |

### Note 3. Pledges Receivable

Unconditional promises are expected to be realized in the following periods:

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| One year or less | $ 4,091 | $ 4,370 |
| Between one year and five years | 9,687 | 9,903 |
| More than five years | 7,300 | 1,742 |
| | 21,078 | 16,015 |
| Less discount | (2,322) | (807) |
| Less allowance | (888) | (598) |
| | $ 17,868 | $ 14,610 |

The discount rate used for contributions receivable in 2015 and 2014, ranged from .11% to 5.01%.

Pledges receivable are classified as follows:

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Permanently restricted | $ 6,925 | $ 5,750 |
| Temporarily restricted | 10,943 | 8,860 |
| | $ 17,868 | $ 14,610 |

### Note 3. Pledges Receivable (Continued)

Approximately 70% of the University's pledges receivable at June 30, 2015 and 2014, were provided by six and eight contributors, respectively. Included in net pledges receivable as of June 30, 2015 and 2014, are approximately $4.3 million and $5.4 million, respectively, in written promises to give from members of the Board of Trustees and Officers of the University.

### Note 4. Investments

A summary of investments by type is as follows:

| | 2015 | | 2014 | |
|---|---|---|---|---|
| | Cost | Fair Value | Cost | Fair Value |
| | (In Thousands) | | | |
| Money market | $ 1,496 | $ 1,496 | $ 1,192 | $ 1,192 |
| Equity securities | 46,765 | 59,085 | 40,875 | 54,441 |
| Equity mutual funds | 38,611 | 57,969 | 36,826 | 58,391 |
| Fixed income securities | 26,325 | 25,782 | 1,513 | 1,470 |
| Fixed income mutual funds | 36,416 | 36,091 | 68,150 | 70,642 |
| Alternative investments | 21,346 | 22,518 | 13,084 | 15,356 |
| Other investments | 1,213 | 612 | 1,197 | 690 |
| | $ 172,172 | $ 203,553 | $ 162,837 | $ 202,182 |

Income and net realized gains on investments for the year ended June 30, 2015 are as follows:

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| | | (In Thousands) | |
| Income on endowment funds | $ 1,593 | $ 3,889 | $ 5,482 |
| Other investment income | 240 | - | 240 |
| Net realized gains on endowment funds | 1,989 | 5,014 | 7,003 |
| Net realized gains on other investment income | 172 | (1) | 171 |
| | $ 3,994 | $ 8,902 | $ 12,896 |
| Income and realized gains on investments – net from operating activity | $ 412 | $ (1) | $ 411 |
| Income and realized gains on investments – net from non-operating activities | 3,582 | 8,903 | 12,485 |
| | $ 3,994 | $ 8,902 | $ 12,896 |

## Note 4. Investments (Continued)

Income and net realized gains on investments for the year ended June 30, 2014, are as follows:

| | Unrestricted | Temporarily Restricted | Total |
|---|---|---|---|
| | | (In Thousands) | |
| Income on endowment funds | $ 1,473 | $ 3,311 | $ 4,784 |
| Other investment income | 227 | - | 227 |
| Net realized gains on endowment funds | 2,654 | 5,015 | 7,669 |
| Net realized gains on other investment income | 334 | (34) | 300 |
| | $ 4,688 | $ 8,292 | $ 12,980 |
| Income and realized gains on investments – net from operating activity | $ 553 | $ (31) | $ 522 |
| Income and realized gains on investments – net from non-operating activities | 4,135 | 8,323 | 12,458 |
| | $ 4,688 | $ 8,292 | $ 12,980 |

Investment income is net of management fees and expenses of approximately $765,000 and $807,000 for the years ended June 30, 2015 and 2014, respectively.

The following schedule summarizes changes in relationships between market value and cost of the University's pooled investments (in thousands, except for market value per share):

| | Year Ended June 30, 2015 | | | |
|---|---|---|---|---|
| | Cost | Market Value | Net Gain | Market Value Per Share |
| | | (In Thousands) | | |
| End of period | $ 165,073 | $ 196,660 | $ 31,587 | $ 13.29 |
| Beginning of period | 155,849 | 194,648 | 38,799 | 13.51 |
| Net change in unrealized appreciation for the period | | | (7,212) | |
| Net realized gain for the period | | | 6,576 | |
| Net loss | | | $ (636) | |

## Note 4. Investments (Continued)

| | Year Ended June 30, 2014 | | | |
|---|---|---|---|---|
| | Cost | Market Value | Net Gain | Market Value Per Share |
| | (In Thousands) | | | |
| End of period | $ 155,849 | $ 194,648 | $ 38,799 | $ 13.51 |
| Beginning of period | 135,910 | 159,831 | 23,921 | 12.30 |
| Net change in unrealized appreciation for the period | | | 14,878 | |
| Net realized gain for the period | | | 7,533 | |
| Net gain | | | $ 22,411 | |

Earnings on the Fund include dividends and interest income. For the years ended June 30, 2015 and 2014, the earnings were $5.7 million and $4.8 million, respectively, or $0.38 per share, as computed on ending shares.

## Note 5. Endowment

The University's endowment consists of approximately 530 individual funds established for a variety of purposes. These resources are recorded as permanently restricted, temporarily restricted, and unrestricted net assets, as described below.

Interpretation of Relevant Law

On June 17, 2011, the State of Florida passed a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The effective date of the enacted version of UPMIFA in Florida (FL UPMIFA) is July 1, 2012. Accordingly, the University was required to adopt the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-50 (formerly FASB Staff Position 117-1, *Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds)* on July 1, 2012.

## Note 5. Endowment (Continued)

The Board of Trustees has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FL UPMIFA) as requiring the preservation 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 University classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by FL UPMIFA. In accordance with FL UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund.
- The purposes of the University and the donor-restricted endowment fund.
- General economic conditions.
- The possible effect of inflation and deflation.
- The expected total return from income and the appreciation of investments.
- Other resources of the University.
- The investment policies of the University.

Funds functioning as endowments are University resources designated as endowment by the Board of Trustees and are invested in the endowment for long-term appreciation and current income. However, these assets remain available and may be spent at the Board’s discretion unless donor-imposed restrictions exist on their use. Certain contributions with donor-imposed restrictions have been designated as endowment by the Board of Trustees and are included in temporarily restricted net assets.

## Note 5. Endowment (Continued)

Endowment net assets were composed of the following as of June 30, 2015:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| | (In Thousands) | | | |
| True endowment funds | | | | |
| Accumulated earnings and original contribution | $ - | $ 24,185 | $ 114,259 | $ 138,444 |
| Unrestricted support of underwater endowments | (2,052) | - | - | (2,052) |
| Board-designated funds | | | | |
| Accumulated earnings and original contribution | 62,255 | - | - | 62,255 |
| Prior year distributions included in pooled investments | 953 | 1,875 | - | 2,828 |
| | $ 61,156 | $ 26,060 | $ 114,259 | $ 201,475 |

Endowment net assets were composed of the following as of June 30, 2014:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| | (In Thousands) | | | |
| True endowment funds | | | | |
| Accumulated earnings and original contribution | $ - | $ 26,316 | $ 109,501 | $ 135,817 |
| Unrestricted support of underwater endowments | (1,580) | - | - | (1,580) |
| Board-designated funds | | | | |
| Accumulated earnings and original contribution | 63,489 | - | - | 63,489 |
| Prior year distributions included in pooled investments | 2,146 | 1,878 | - | 4,024 |
| | $ 64,055 | $ 28,194 | $ 109,501 | $ 201,750 |

## Note 5. Endowment (Continued)

Changes to endowment net assets for the fiscal year ended June 30, 2015, are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| | (In Thousands) | | | |
| Endowment net assets, at beginning of year | $ 64,055 | $ 28,194 | $ 109,501 | $ 201,750 |
| Investment return: | | | | |
| Investment income | 1,788 | 3,921 | - | 5,709 |
| Realized gain | 2,090 | 4,913 | - | 7,003 |
| Unrealized gain | (2,308) | (5,436) | - | (7,744) |
| **Total investment return** | 1,570 | 3,398 | - | 4,968 |
| Contributions | - | - | 4,202 | 4,202 |
| Distributed earnings | (2,776) | (6,106) | - | (8,882) |
| Other changes: | | | | |
| Transfers to create board-designated funds | 247 | 142 | - | 389 |
| Increase in underwater funds | (472) | 472 | - | - |
| Net assets released from restrictions | 241 | (241) | - | - |
| Other endowment activity | (516) | 204 | 556 | 244 |
| Reclassification of prior year distributions | (1,193) | (3) | - | (1,196) |
| Endowment net assets, at end of year | $ 61,156 | $ 26,060 | $ 114,259 | $ 201,475 |

### Note 5. Endowment (Continued)

Changes to endowment net assets for the fiscal year ended June 30, 2014, are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---|---|---|---|
| | (In Thousands) | | | |
| Endowment net assets, at beginning of year | $ 53,604 | $ 18,703 | $ 94,241 | $ 166,548 |
| Investment return: | | | | |
| Investment income | 1,632 | 3,344 | - | 4,976 |
| Realized gain | 2,654 | 5,015 | - | 7,669 |
| Unrealized gain | 5,122 | 10,280 | - | 15,402 |
| **Total investment return** | 9,408 | 18,639 | - | 28,047 |
| Contributions | - | 43 | 15,005 | 15,048 |
| Distributed earnings | (2,403) | (4,899) | - | (7,302) |
| Other changes: | | | | |
| Transfers to create board-designated funds | 100 | - | - | 100 |
| Recovery of underwater funds | 1,663 | (1,663) | - | - |
| Net assets released from restrictions | 2,224 | (2,224) | - | - |
| Other endowment activity | (369) | (121) | 255 | (235) |
| Reclassification of prior year distributions | (172) | (284) | - | (456) |
| Endowment net assets, at end of year | $ 64,055 | $ 28,194 | $ 109,501 | $ 201,750 |

**Pledges and funds held in trust by others:** Endowment pledges and Funds Held in Trust by Others are not included in the above net asset balances. Permanently restricted net assets attributable to endowment pledges as of June 30, 2015 and 2014 amount to $6,925,000 and $5,750,000, respectively, (see Note 3). Permanently restricted net assets attributable to funds held in trust by others as of June 30, 2015 and 2014 amount to $7,423,000 and $7,678,000, respectively (see Note 6).

**Funds with deficiencies**: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FL UPMIFA requires the University to retain as a fund of perpetual duration. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees. As of June 30, 2015 and 2014, the amount of these deficiencies totaled approximately $2.1 million and $1.6 million, respectively.

## Note 5. Endowment (Continued)

**Return objectives and risk parameters:** The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 and other benchmark indices while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The purpose of establishing a target spending rate for the University's endowment assets is to achieve the spending stability necessary for the planning and budgeting activities funded from the University's earnings. In 2006, the Board resolved to maintain the endowment payout rate in a range of 3% to 6% of the University's 12-quarter moving average market value. In 2008, a target rate of 4.5% was identified.

## Note 6. Funds Held in Trust by Others

Funds held in trust by others represent resources neither in the possession nor under the control of the institution, but held and administered by outside trustees, with the University deriving income from such funds. The fair value of the University's share of the assets is reflected in the statements of financial position and the income (including changes in the fair value of the assets) is recorded on the accrual basis. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence. The funds held in trust by others at June 30, 2015 and 2014, amounted to approximately $9.6 million and $9.9 million, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to approximately $2.2 million and $2.3 million at June 30, 2015 and 2014, respectively.

## Note 7. Property, Plant and Equipment

Property, plant, and equipment are summarized as follows:

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Land | $ 8,559 | $ 8,165 |
| Land improvements, building and facilities | 200,725 | 181,284 |
| Furniture and equipment | 25,947 | 22,852 |
| Library books and collections | 29,852 | 29,959 |
| Construction-in-progress | 5,140 | 2,113 |
| Equipment under capital lease | - | 1,812 |
| | 270,223 | 246,185 |
| Less accumulated depreciation and amortization | (117,993) | (110,738) |
| | $ 152,230 | $ 135,447 |

Amortization expense relating to the capitalized leases was approximately $62,000 and $82,000 for the years ended June 30, 2015 and 2014, respectively. Depreciation expense relating to constructed and purchased property and equipment was approximately $8.5 million and $8.3 million for the years ended June 30, 2015 and 2014, respectively.

Interest capitalized during the years ended June 30, 2015 and 2014, was approximately $38,000 and $2,000, respectively.

Construction-in-progress at June 30, 2015 and 2014, relates primarily to the renovations of existing facilities and residence halls. Estimated costs to complete these projects amount to approximately $32.5 million and $1.8 million, respectively.

The University recognized approximately $1,635,000 and $1,531,000 for rental income on various facilities during the years ended June 30, 2015 and 2014, respectively.

## Note 8. Long-Term Debt

Long-term debt consists of the following:

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| **Bonds payable** | | |
| Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015 – payable in annual installments of \$1,450,000 to \$5,975,000 through 2045, plus semiannual interest payments at a fixed rate of 5.00%, collateralized by the University's tuition revenues. The Series 2015 bonds were issued at a premium resulting in an effective interest rate of 4.08%. | \$ 96,420 | \$ - |
| Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue and Refunding Bonds of 2011 – final payment of \$9,044,000 plus interest at 3.11% during 2015, collateralized by the University's tuition revenues. | - | 9,044 |
| Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue and Refunding Bonds of 2010 – final payment of \$26,385,000 plus interest at 3.57% during 2015, collateralized by the University’s tuition revenues. | - | 26,385 |
| Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue and Refunding Bonds of 2005 – final payment of \$15,055,000 plus interest at 4% during 2015, collateralized by the University’s tuition revenues. | - | 15,055 |
| | 96,420 | 50,484 |
| Other notes payable | 520 | 3,580 |
| | 96,940 | 54,064 |
| Debt issuance costs | (900) | (392) |
| Unamortized premium on bonds payable | 11,444 | 395 |
| | \$ 107,484 | \$ 54,067 |

## Note 8. Long-Term Debt (Continued)

Required reductions of long-term debt for the fiscal years following 2015, are as follows:

| Year Ending | Principal | | | | Total Debt |
|---|---|---|---|---|---|
| June 30, | Bonds | Other | Total | Interest | Service |
| | (In Thousands) | | | | |
| 2016 | $ 1,450 | $ 184 | $ 1,634 | $ 4,833 | $ 6,467 |
| 2017 | 1,525 | 49 | 1,574 | 4,759 | 6,333 |
| 2018 | 1,600 | 50 | 1,650 | 4,681 | 6,331 |
| 2019 | 1,680 | 52 | 1,732 | 4,599 | 6,331 |
| 2020 | 1,765 | 53 | 1,818 | 4,513 | 6,331 |
| Thereafter | 88,400 | 132 | 88,532 | 68,460 | 156,992 |
| | $ 96,420 | $ 520 | $ 96,940 | $ 91,845 | $ 188,785 |

**Issuance of new debt:** During fiscal year 2015, the University issued $96.4 million of Series 2015 VCEFA Educational Facilities Revenue Bonds with a premium of approximately $11.5 million. The net proceeds from the sale of the Bonds were used to pay the costs associated with the issuance of the Bonds and were used to refund all remaining maturities of the University's 2005, 2010 and 2011 Bonds (VCEFA Series 2005, 2010 and 2011), and to refund the amount due on a $3,000,000 bank loan. Approximately $56.2 million of the proceeds were used to refund these obligations. In addition, approximately $13.9 million of the proceeds were used to acquire student housing facilities from Collegiate Housing Foundation-DeLand, LLC (see Note 11). The remaining proceeds of approximately $37.8 million were used to pay for bond issuance costs of $903,000 and will be used to pay for certain acquisitions, renovations, and improvements of academic and administrative facilities.

**Implementation of new accounting standard:** During fiscal year 2015, the University early adopted Accounting Standards Update No. 2015-03 issued by the Financial Accounting Standards Board (FASB) which requires the presentation of debt issuance costs related to a recognized debt liability as a direct deduction from the carrying amount of that debt liability. For the years ended June 30, 2015 and 2014, the University deducted unamortized debt issuance costs of $900,000 and $392,000, respectively, from the carrying amount of long-term debt on the Statement of Financial Position.

The bonds contain various restrictions and other covenants typical of such agreements, with which the University is required to comply. These include preserving existence as a tax-exempt not-for-profit organization, maintaining the property in good repair and working order, operating in compliance with laws and regulations, maintaining insurance coverage, submission of annual audited consolidated financial statements, and compliance with annual continuing disclosure requirements.

## Note 9. Operating Leases

The University has entered into various leases for automobiles and office equipment. The leases are noncancelable operating leases which expire at various dates through 2020. Following is a schedule of minimum future rental payments under noncancelable operating leases:

| Year Ending June 30, | (In Thousands) |
|---|---|
| 2016 | $ 217 |
| 2017 | 169 |
| 2018 | 77 |
| 2019 | 27 |
| 2020 | 3 |
| Minimum future rental payments | $ 493 |

Rent expense incurred under operating leases amounted to approximately $2,014,000 and $1,537,000 for the years ended June 30, 2015 and 2014, respectively.

## Note 10. Retirement and Postretirement Benefits

Retirement benefits are provided through defined contribution plans with the Teachers Insurance and Annuity Association – College Retirement Equities Fund, a national organization used to fund pension benefits for educational institutions. All full-time employees with one year of service are eligible under the plan. The University contributes 5% of base gross salary (as defined) after completion of one year of service (as defined) at the University and 10% of base gross salary after completion of two years of service, except for certain positions, as provided in the Plan document, that are immediately eligible to receive the University contributions. Additionally, employees who were hired on or before June 30, 2008, receive supplemental University contributions in amounts based on the age of the eligible participants as of July 1, 2008. All contributions are subject to certain limitations of the Internal Revenue Code (IRC). The pension expense for the years ended June 30, 2015 and 2014, amounted to approximately $4.9 million and $4.7 million, respectively.

In addition, the University sponsors a defined benefit postretirement plan that provides medical and term-life insurance benefits to eligible retirees. During its May 2007 meeting, the Board of Trustees approved a resolution to reduce and eventually eliminate the postretirement defined benefit plan over a four-year period. Employees retiring through June 30, 2008, who elected to receive postretirement health care benefits, are responsible to pay 40% of the premium. Employees who retired between July 1, 2008 and June 30, 2011, who elected to receive postretirement health care benefits, are responsible to pay 50% of the premium. Employees retiring after June 30, 2011, who elect to receive postretirement health care benefits, are responsible to pay 100% of the premium. The effect of the 2007 amendment was a $12.3 million reduction in prior year service costs, which are being amortized over the average service to full eligibility as of the date of the plan amendment.

**Note 10. Retirement and Postretirement Benefits (Continued)**

**ASC 958-715, Not-for-Profit Entities:** Compensation-retirement benefits, requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the accompanying statement of financial position and to recognize changes in that funded status in the year in which the changes occur in unrestricted net assets. It also requires measurement of the funded status of a plan as of the date of the year-end statement of financial position. The funded status of a defined benefit plan is measured as the difference between plan assets at fair value and the benefit obligation.

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Change in accumulated postretirement benefit obligation: | | |
| Benefit obligation at beginning of year | $ 7,952 | $ 8,265 |
| Service cost | 119 | 106 |
| Interest cost | 298 | 344 |
| Plan participants' contributions | 365 | 395 |
| Actuarial gain | (1,104) | (212) |
| Benefit payments | (810) | (959) |
| Medicare subsidy | 7 | 13 |
| Benefit obligation at end of year | $ 6,827 | $ 7,952 |
| Change in Plan assets: | | |
| Fair value of Plan assets at beginning of year | $ - | $ - |
| University contributions | 438 | 551 |
| Plan participants' contributions | 365 | 395 |
| Benefits paid | (810) | (959) |
| Medicare subsidy received | 7 | 13 |
| Fair value of plan assets at end of year | $ - | $ - |

**Note 10. Retirement and Postretirement Benefits (Continued)**

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Funded status of the Plan: | | |
| Funded status at end of year | $ (6,827) | $ (7,952) |
| Unrecognized actuarial loss | - | - |
| Unrecognized prior service cost | - | - |
| Net accrued benefit liability | $ (6,827) | $ (7,952) |
| Amounts recognized in the statement of financial position: | | |
| Postretirement benefit liability | $ 6,827 | $ 7,952 |
| Net amount recognized | $ 6,827 | $ 7,952 |
| Amounts recognized in the statement of activities: | | |
| Net loss | $ 3,790 | $ 5,257 |
| Prior service credit | - | (32) |
| | $ 3,790 | $ 5,225 |
| Assumptions as of the end of the year: | | |
| Discount rate | 4.01% | 3.83% |
| Expected return on assets | N/A | N/A |
| Rate of compensation increases | N/A | N/A |
| Accumulated Postretirement Benefit Obligation (APBO): | | |
| Active employees | $ 1,212 | $ 1,365 |
| Retirees | 5,615 | 6,587 |
| Total APBO | 6,827 | 7,952 |
| Unrecognized gain (loss) | - | - |
| Accrued postretirement benefit liability | $ 6,827 | $ 7,952 |

| | 2015 | 2014 |
|---|---|---|
| | (In Thousands) | |
| Net periodic postretirement benefit cost: | | |
| Service costs (benefits earned during the period) | $ 119 | $ 106 |
| Interest cost (on accumulated postretirement benefit obligation) | 298 | 344 |
| Amortization of net actuarial loss | 363 | 412 |
| Amortization of prior service credit | (32) | (396) |
| Net periodic postretirement benefit costs | $ 748 | $ 466 |

**Note 10. Retirement and Postretirement Benefits (Continued)**

For measurement purposes, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended June 30, 2015. The rate was assumed to decrease to 7.0% in the second year and by 0.25% to .50% per year until 2021 and remain at 5.0% thereafter. Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects as of and for the year ended June 30, 2015:

| | One Percentage Point Increase | One Percentage Point Decrease |
|---|---|---|
| | (In Thousands) | |
| Effect on total service and interest cost | $ 47 | $ (41) |
| Effect on end of year postretirement benefit obligation | 775 | (653) |

The University's postretirement benefits are unfunded; therefore, cash contributions for postretirement benefits are equal to the benefit payments.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

| Year Ending June 30, | (In Thousands) |
|---|---|
| 2016 | $ 410 |
| 2017 | 422 |
| 2018 | 423 |
| 2019 | 414 |
| 2020 | 441 |
| 2021-2025 | 2,215 |

On December 8, 2003, the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act), which introduces a Medicare prescription drug benefit, as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to the Medicare benefit, was enacted. On May 19, 2004, the FASB issued FSP No. 106-2, *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003*, to discuss certain accounting and disclosure issues raised by the Act. FSP 106-2 addresses accounting for the federal subsidy for the sponsors of single employer defined benefit postretirement health care plans.

The University has concluded that the prescription drug benefits provided under the postretirement plan are actuarially equivalent to the Medicare benefit as necessary to qualify for the subsidy. The reported net periodic benefit costs of the postretirement plan in the accompanying statement of activities reflect the effects of the Act.

## Note 11. Collegiate Housing Foundation – DeLand, LLC

Previously, the University had an arrangement with Collegiate Housing Foundation – DeLand, LLC (CHF-DeLand), a wholly-owned subsidiary of Collegiate Housing Foundation, in which students of the University utilize a 338-bed housing facility. The University collected payments from students and remitted these funds to the trustee; however, there was no revenue and expense impact to the University. The facility was owned by CHF-DeLand, a separate 501(c)(3) entity, and financed through tax-exempt bonds issued by the Volusia County Industrial Development Authority and assumed by CHF-Deland. The University did not pay nor was it responsible for the debt. Additionally, no building lease existed between the University and CHF-DeLand. The underlying property on which the facility is located was leased by the University to CHF-DeLand under a ground lease.

On June 1, 2015, the University acquired the facilities owned by CHF-DeLand using proceeds from the Series 2015 VCEFA Educational Facilities Revenue Bonds. Remaining funds held by the trustee after satisfying the debt and other obligations were transferred to the University as final payment on the ground lease. These remaining funds amounted to $2,135,000 and are reported on the Statement of Activities in Sales and Services of Auxiliary Enterprises.

## Note 12. Related-Party Transactions

During the 2015 and 2014 fiscal years, the University paid $1.8 million and $1.9 million, respectively, for insurance brokerage services and coverages provided by a firm for which a Trustee of the University is the chairman. There were no outstanding payments owed to this firm as of June 30, 2015 and 2014. During fiscal year 2015, $122,000 was paid from proceeds of the Series 2015 VCEFA Educational Facilities Revenue Bonds for financial consulting services provided by a firm for which a Trustee is a Managing Director. In addition, the University paid $9,000 for furniture and equipment purchased from a business owned by a Trustee of the University, and $4,000 for landscaping and related supplies from a business for which a Trustee owns a 35% interest.

## Note 13. Charles A. Dana Law Center Foundation, Inc.

The University has recorded its interest in the net assets of the Charles A. Dana Law Center Foundation, Inc. (the Foundation) on the accompanying statements of financial position as investment in affiliated entity.

The change in net assets of the Foundation for the years ended June 30, 2015 and 2014, was ($12,000) and $401,000, respectively. The University’s interest in the net assets for the Foundation as of June 30, 2015 and 2014, amounted to approximately $3.9 million for each year.

## Note 14. Restricted Net Assets

| | Temporarily Restricted | Permanently Restricted |
|---|---|---|
| | (In Thousands) | |
| **June 30, 2015** | | |
| Scholarships | $ 12,667 | $ 53,230 |
| Programs | 20,802 | 70,055 |
| Capital | 3,636 | - |
| Trusts and Annuities | 2,536 | 65 |
| Loans | - | 2,552 |
| Pledges | 10,948 | 6,925 |
| | $ 50,589 | $ 132,827 |
| **June 30, 2014** | | |
| Scholarships | $ 13,525 | $ 50,733 |
| Programs | 21,803 | 68,085 |
| Capital | 3,317 | - |
| Trusts and Annuities | 2,631 | 165 |
| Loans | - | 2,552 |
| Pledges | 8,859 | 5,751 |
| | $ 50,135 | $ 127,286 |

Net assets released from restrictions in the years ended June 30, 2015 and 2014, respectively, are comprised of approximately $9.2 million and $11.8 million due to satisfaction of program restrictions and scholarship awards, and approximately $2.3 million and $1.1 million due to acquisition of capital assets.

## Note 15. Fair Value of Financial Instruments and Fair Value Disclosures

The University has established and documented processes and methodologies for determining the fair values of portfolio company investments on a recurring basis in accordance with ASC 820, *Fair Value Measurements*. Under ASC 820, 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. The three levels of valuation hierarchy established by ASC 820 are defined as follows:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

The University recognizes any transfers of assets or liabilities between Levels 1, 2 and 3 as occurring on the actual date of the transfer. During fiscal years 2015 and 2014, there were no transfers into or out of Levels 1, 2, and 3.

## Note 15. Fair Value of Financial Instruments and Fair Value Disclosures (Continued)

A description of the valuation techniques applied to the University's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Cash and Cash Equivalents – The carrying amounts reported in the accompanying statements of financial position approximate their fair value, due to the short-term maturity of these instruments.

Loans Receivable – Determination of the fair value of loans receivable, which are primarily federally sponsored student loans with U.S. government-mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, could not be made without incurring excessive costs.

Charitable Gift Annuities – The obligation for annuities is based on an actuarial calculation that considers the life expectancy of the annuitant and the expected rate of return to be earned on the annuitant's gift. The rate of return assumed in this calculation for each of the annuities is 1.2%, which is representative of its fair value.

Debt – The fair value of the VCEFA 2005 bond obligations payable is estimated based on quoted market prices for the same or similar issues.

Estimated fair values of the University's financial instruments at June 30, 2015 and 2014, are as follows:

| Description | Carrying Amount 2015 | Fair Value 2015 | Carrying Amount 2014 | Fair Value 2014 |
|---|---|---|---|---|
| | (In Thousands) | | | |
| **Financial assets (liabilities)** | | | | |
| Cash and cash equivalents | $ 50,302 | $ 50,302 | $ 15,452 | $ 15,452 |
| Bonds payable | (96,420) | (105,572) | (50,484) | (50,908) |

### Note 15. Fair Value of Financial Instruments and Fair Value Disclosures (Continued)

The following table presents the fair values for assets and liabilities measured on a recurring basis as of June 30, 2015:

| Description | Fair Value | Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Short-term investments | | | | |
| Fixed income mutual funds: | | | | |
| Multi-strategy | $ 5,071 | $ 5,071 | $ - | $ - |
| Short-term investments total | 5,071 | 5,071 | - | - |
| Funds held in trust by others | 9,584 | - | - | 9,584 |
| | | | | |
| Investments: | | | | |
| Money market funds | 1,496 | 1,496 | - | - |
| Equity securities: | | | | |
| US large cap | 15,818 | 15,818 | - | - |
| US mid/small cap | 37,903 | 37,903 | - | - |
| International developed | 4,870 | 4,870 | - | - |
| Unit Investment trusts | 493 | 493 | - | - |
| Equity mutual funds: | | | | |
| US large cap | 37,200 | 37,200 | - | - |
| US mid/small cap | 554 | 554 | - | - |
| International developed | 20,100 | 20,100 | - | - |
| Emerging markets | 82 | 82 | - | - |
| Multi-strategy | 33 | 33 | - | - |
| Fixed income securities: | | | | |
| U.S. Government | 20,897 | - | 20,897 | - |
| Corporate | 4,746 | - | 4,746 | - |
| Global fixed | 139 | - | 139 | - |
| Fixed income mutual funds: | | | | |
| U.S. Government | 502 | 502 | - | - |
| Corporate | 455 | 455 | - | - |
| Multi-strategy | 10,968 | 10,968 | - | - |
| Global fixed | 24,166 | 24,166 | - | - |
| Other investments | 612 | 89 | 523 | - |
| Alternative investments: (*) | | | | |
| Hedge Fund of Funds | 10,173 | | | |
| Private equity | 7,619 | | | |
| Emerging markets | 4,727 | | | |
| Investments total | $ 203,553 | $ 154,729 | $ 26,305 | $ - |

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

**Note 15. Fair Value of Financial Instruments and Fair Value Disclosures (Continued)**

The following table presents the fair values for assets and liabilities measured on a recurring basis as of June 30, 2014:

| Description | Fair Value | Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs |
|---|---|---|---|---|
| | | (In Thousands) | | |
| Short-term investments | | | | |
| Fixed income mutual funds: | | | | |
| Multi-strategy | $ 2,578 | $ 2,578 | $ - | $ - |
| Short-term investments total | 2,578 | 2,578 | - | - |
| Funds held in trust by others | 9,931 | - | - | 9,931 |
| | | | | |
| Investments: | | | | |
| Money market funds | 1,192 | 1,192 | - | - |
| Equity securities: | | | | |
| US large cap | 13,953 | 13,953 | - | - |
| US mid/small cap | 34,956 | 34,956 | - | - |
| International developed | 4,722 | 4,722 | - | - |
| Unit Investment trusts | 810 | 810 | - | - |
| Equity mutual funds: | | | | |
| US large cap | 38,570 | 38,570 | - | - |
| US mid/small cap | 612 | 612 | - | - |
| International developed | 19,089 | 19,089 | - | - |
| Emerging markets | 94 | 94 | - | - |
| Multi-strategy | 26 | 26 | - | - |
| Fixed income securities: | | | | |
| U.S. Government | 169 | - | 169 | - |
| Corporate | 1,088 | - | 1,088 | - |
| Global fixed | 213 | - | 213 | - |
| Fixed income mutual funds: | | | | |
| U.S. Government | 400 | 400 | - | - |
| Corporate | 370 | 370 | - | - |
| Multi-strategy | 57,734 | 57,734 | - | - |
| Global fixed | 12,138 | 12,138 | - | - |
| Alternative investments: (*) | | | | |
| Multi-strategy | - | | | |
| Distressed | 8,516 | | | |
| Private equity | 6,840 | | | |
| Other investments (*) | 690 | | | |
| Investments total | $ 202,182 | $ 184,666 | $ 1,470 | $ - |

### Note 15. Fair Value of Financial Instruments and Fair Value Disclosures (Continued)

The table below sets forth a summary of changes in the fair value of the University's Level 3 assets for the years ended June 30, 2015 and 2014:

| | 2015 (In Thousands) | 2014 (In Thousands) |
|---|---|---|
| Balance, at beginning of year | $ 9,931 | $ 9,306 |
| Purchases | - | - |
| Issuances | - | - |
| Actuarial and present value adjustments | (347) | 625 |
| Unrealized gains | - | - |
| Balance, at end of year | $ 9,584 | $ 9,931 |

The University's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are classified as Level 3 Funds Held in Trust by Others as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are estimated using the income approach and are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

## Note 15. Fair Value of Financial Instruments and Fair Value Disclosures (Continued)

| | Fair Value (in thousands) June 30, 2015 | Fair Value (in thousands) June 30, 2014 | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Distressed funds [a] | - | 8,516 | quarterly | 60 days |
| Hedge fund of funds [b] | 10,173 | - | semi-annual | 95 days |
| Private equity funds [c] | 7,619 | 6,840 | quarterly | 60 days |
| Emerging markets funds [d] | 4,727 | - | monthly | 15 days |

a. This class held a diversified portfolio of structured finance products tied to assets in the United States and Europe. Primary holdings within the fund consisted of residential mortgage backed securities, asset backed securities, commercial mortgage backed securities, European Asset backed securities, and US agency mortgage backed securities. The fair values of the investments in this class have been estimated using the net asset value per share.
b. This class incorporates strategies with relative value, market neutral & low net equity, event driven, and distressed & credit securities. The fair values of the investments in this class have been estimated using the net asset value per share.
c. This class is open-end commingled fund designed to invest in high quality US real estate assets. The fund's investment portfolio consists of over 175 properties across all real estate sectors of Hotels, Apartments, Retail, Office, and Industrial. In addition to sector diversification, this fund's investments are diversified across the United States with roughly half the assets in east coast properties and half in west coast properties. The fair values of the investments in this class have been estimated using the net asset value per share.
d. This class invests primarily in commons stocks from the universe of companies in the MSCI Emerging Markets Investable Market Index. The fund also invests in ETFs, ETNs and depositary receipts to seek exposure to certain emerging markets. The fund may also invest in preferred stocks, real estate investment trusts (REITs) and other investment companies. The fund may also invest its assets in the U.S. or in other developed markets. The fair values of the investments in this class have been estimated using the net asset value per share.

The University has no unfunded commitments for alternative investments as of June 30, 2015 or 2014.

## Note 16. Subsequent Events

ASC 855, subsequent events, establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before the consolidated financial statements are issued. ASC 855 defines two types of subsequent events. The effects of events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing consolidated financial statements, are recognized in the consolidated financial statements. The effects of events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after that date are not recognized in the consolidated financial statements. Management of the University has reviewed subsequent events through October 7, 2015 (the date of the issuance of the accompanying consolidated financial statements).

## Note 17. Contingencies

The University is party to certain litigation as of June 30, 2015, which relates primarily to matters arising in the ordinary course of business. Management of the University anticipates that the final resolution of these items will not have a material adverse effect on the financial position of the University.

# Supplementary Information

**Stetson University, Inc.**

**Supplementary Disaggregated Statement of Financial Position**
**June 30, 2015**
**(In Thousands)**

| | Current Funds | Loan Funds | Endowment and Similar Funds | Plant Funds | Total |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | $ 13,932 | $ - | $ 245 | $ - | $ 14,177 |
| Restricted cash | 36,125 | - | - | - | 36,125 |
| Short-term investments | 5,071 | - | - | - | 5,071 |
| Notes and account receivable – net | 7,415 | 5,486 | 450 | - | 13,351 |
| Pledges receivable – net | 10,943 | - | 6,925 | - | 17,868 |
| Inventories | 242 | - | - | - | 242 |
| Investments | 405 | - | 203,088 | 60 | 203,553 |
| Funds held in trust by others | - | - | 9,584 | - | 9,584 |
| Property, plant, and equipment, net | 891 | - | - | 151,339 | 152,230 |
| Other assets | 3,172 | - | - | 28 | 3,200 |
| Investment in affiliated entity | - | | 3,859 | - | 3,859 |
| **Total assets** | $ 78,196 | $ 5,486 | $ 224,151 | $ 151,427 | $ 459,260 |
| | | | | | |
| **Liabilities and net assets** | | | | | |
| Liabilities: | | | | | |
| Accounts payable | $ 3,058 | $ - | $ 23 | $ 1,919 | $ 5,000 |
| Accrued liabilities | 7,356 | - | - | 402 | 7,758 |
| Student deposits and other current liabilities | 5,463 | - | - | 22 | 5,485 |
| Postretirement benefits | 6,827 | - | - | - | 6,827 |
| Refundable government loan funds | - | 5,148 | - | - | 5,148 |
| Annuities payable | - | - | 2,184 | - | 2,184 |
| Long-term debt | - | - | - | 107,484 | 107,484 |
| Due to (from) other funds | 34,150 | (2,733) | 3,237 | (34,654) | - |
| **Total liabilities** | 56,854 | 2,415 | 5,444 | 75,173 | 139,886 |
| | | | | | |
| Net assets: | | | | | |
| Unrestricted | 3,366 | 519 | 59,455 | 72,618 | 135,958 |
| Temporarily restricted | 17,976 | - | 28,977 | 3,636 | 50,589 |
| Permanently restricted | - | 2,552 | 130,275 | - | 132,827 |
| **Total net assets** | 21,342 | 3,071 | 218,707 | 76,254 | 319,374 |
| **Total liabilities and net assets** | $ 78,196 | $ 5,486 | $ 224,151 | $ 151,427 | $ 459,260 |