

# **Stetson University, Inc.**

Financial Report  
June 30, 2019

## Contents

---

Independent auditor's report	1-2
------------------------------	-----

---

Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6-7
Notes to consolidated financial statements	8-39

---

Supplementary information	
Supplementary disaggregated consolidated statement of financial position	40

---



RSM US LLP

## Independent Auditor's Report

To the Board of Trustees  
Stetson University, Inc.

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Stetson University, Inc. and its related subsidiary (the University), which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, financial statements).

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stetson University Inc. and its subsidiary as of June 30, 2019 and 2018, 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 Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary disaggregated consolidated statement of financial position is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying supplementary disaggregated consolidated 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

*RSM US LLP*

Orlando, Florida  
October 10, 2019

Stetson University, Inc.

**Consolidated Statements of Financial Position**  
**June 30, 2019 and 2018**  
(In Thousands)

	2019	2018
<b>Assets</b>		
Cash and cash equivalents	\$ 25,946	\$ 15,643
Restricted cash	-	2,600
Short-term investments	2,873	4,493
Notes and accounts receivable, net	10,683	13,668
Pledges receivable, net	15,933	14,522
Investments	264,843	256,218
Funds held in trust by others	9,194	9,035
Property, plant and equipment, net	203,781	198,772
Other assets	3,803	4,082
Investment in affiliated entity	4,484	4,325
<b>Total assets</b>	<b>\$ 541,540</b>	<b>\$ 523,358</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable	\$ 4,492	\$ 5,510
Accrued liabilities	8,575	8,406
Student deposits and other current liabilities	11,900	12,494
Postretirement benefits	5,669	6,446
Refundable government loan funds	5,546	5,442
Annuities payable	2,110	2,156
Long-term debt	105,209	103,492
<b>Total liabilities</b>	<b>143,501</b>	<b>143,946</b>
Commitments and contingencies (Note 20)		
Net assets:		
Without donor restrictions	158,767	150,933
With donor restrictions	239,272	228,479
<b>Total net assets</b>	<b>398,039</b>	<b>379,412</b>
<b>Total liabilities and net assets</b>	<b>\$ 541,540</b>	<b>\$ 523,358</b>

See notes to consolidated financial statements.

**Stetson University, Inc.**

**Consolidated Statement of Activities  
Year Ended June 30, 2019  
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains and other support:			
Tuition and fees (net of scholarships and fellowships of \$94,155)	\$ 88,531	\$ -	\$ 88,531
Contributions	935	5,215	6,150
Income and realized gains on investments – net of fees	467	-	467
Endowment income used in operations	3,061	7,390	10,451
Sales of educational services	6,090	-	6,090
Sales and services of auxiliary enterprises	27,218	-	27,218
Government grants	1,925	-	1,925
Other	2,683	(30)	2,653
Unrealized gain on investments	122	-	122
Net assets released from restrictions	12,206	(12,206)	-
<b>Total operating revenues, gains (losses) and other support</b>	<b>143,238</b>	<b>369</b>	<b>143,607</b>
Operating expenses:			
Educational and general:			
Instruction	57,541	-	57,541
Research	947	-	947
Public service	1,205	-	1,205
Academic support	14,152	-	14,152
Student services	28,762	-	28,762
Institutional support	19,299	-	19,299
<b>Total education and general</b>	<b>121,906</b>	<b>-</b>	<b>121,906</b>
Auxiliary enterprises	20,781	-	20,781
<b>Total operating expenses</b>	<b>142,687</b>	<b>-</b>	<b>142,687</b>
<b>Change in net assets from operations</b>	<b>551</b>	<b>369</b>	<b>920</b>
Nonoperating activities:			
Contributions for non-operating activities	-	10,039	10,039
Funds held in trust by others	79	415	494
Income and realized gains on investments – net of fees	3,966	9,122	13,088
Endowment income used in operations	(3,061)	(7,390)	(10,451)
Net unrealized gains from investments	1,042	2,587	3,629
Change in value of split interest agreements	-	(18)	(18)
Postretirement changes other than service costs	898	-	898
Other	(251)	120	(131)
Net assets released from restrictions	4,610	(4,610)	-
Increase in investment in affiliated entity	-	159	159
<b>Change in net assets from non-operating activities</b>	<b>7,283</b>	<b>10,424</b>	<b>17,707</b>
<b>Change in net assets</b>	<b>7,834</b>	<b>10,793</b>	<b>18,627</b>
Net assets:			
Beginning of period	150,933	228,479	379,412
End of period	<u>\$ 158,767</u>	<u>\$ 239,272</u>	<u>\$ 398,039</u>

See notes to consolidated financial statements.

**Stetson University, Inc.**

**Consolidated Statement of Activities  
Year Ended June 30, 2018  
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues:</b>			
Revenues, gains and other support:			
Tuition and fees (net of scholarships and fellowships of \$86,902)	\$ 86,688	\$ -	\$ 86,688
Contributions	982	4,752	5,734
Income and realized gains on investments – net of fees	351	4	355
Endowment income used in operations	3,006	7,118	10,124
Sales of educational services	5,669	-	5,669
Sales and services of auxiliary enterprises	26,088	-	26,088
Government grants	1,630	-	1,630
Other	3,788	5	3,793
Unrealized loss on investments	(210)	-	(210)
Net assets released from restrictions	10,849	(10,849)	-
<b>Total operating revenues, gains (losses) and other support</b>	<b>138,841</b>	<b>1,030</b>	<b>139,871</b>
<b>Operating expenses:</b>			
Educational and general:			
Instruction	55,755	-	55,755
Research	571	-	571
Public service	1,391	-	1,391
Academic support	14,015	-	14,015
Student services	27,177	-	27,177
Institutional support	18,368	-	18,368
<b>Total education and general</b>	<b>117,277</b>	<b>-</b>	<b>117,277</b>
Auxiliary enterprises	19,779	-	19,779
<b>Total operating expenses</b>	<b>137,056</b>	<b>-</b>	<b>137,056</b>
<b>Change in net assets from operations</b>	<b>1,785</b>	<b>1,030</b>	<b>2,815</b>
<b>Nonoperating activities:</b>			
Contributions for non-operating activities	-	23,828	23,828
Funds held in trust by others	73	422	495
Income and realized gains on investments – net of fees	1,735	4,542	6,277
Endowment income used in operations	(3,006)	(7,118)	(10,124)
Net unrealized gains from investments	4,003	9,579	13,582
Change in value of split interest agreements	-	3	3
Postretirement changes other than service costs	416	-	416
Other	1,113	(344)	769
Net assets released from restrictions	737	(737)	-
Increase in investment in affiliated entity	-	226	226
<b>Change in net assets from non-operating activities</b>	<b>5,071</b>	<b>30,401</b>	<b>35,472</b>
<b>Change in net assets</b>	<b>6,856</b>	<b>31,431</b>	<b>38,287</b>
<b>Net assets:</b>			
Beginning of period	144,077	197,048	341,125
End of period	\$ 150,933	\$ 228,479	\$ 379,412

See notes to consolidated financial statements.

**Stetson University, Inc.**

**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2019 and 2018**  
**(In Thousands)**

	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 18,627	\$ 38,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(8,636)	(24,285)
Depreciation and amortization	10,988	10,222
(Gain) loss on disposal of property, plant and equipment	104	(113)
Income and net realized gains from long-term investments	(13,088)	(6,277)
Net unrealized gains from long-term investments	(3,629)	(13,582)
Amortization of bond premium and issuance costs	(735)	(791)
Change in value of split-interest agreements	77	208
Change in investment in affiliated entity	(159)	(226)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Notes and accounts receivable	2,136	(1,893)
Pledges receivable	(1,411)	579
Funds held in trust by others	(159)	(318)
Other assets	279	234
(Decrease) increase in liabilities:		
Accounts payable	453	(25)
Accrued liabilities	169	153
Student deposits and other current liabilities	(594)	4,432
Postretirement benefits	(777)	(312)
<b>Net cash provided by operating activities</b>	<b>3,645</b>	<b>6,293</b>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,584)	(25,494)
Proceeds from sales of property, plant and equipment	12	500
Student loans issued	-	(874)
Proceeds from student loan collections	849	671
Purchases of investments	(198,633)	(108,738)
Proceeds from maturities and sales of investments	211,028	102,717
<b>Net cash used in investing activities</b>	<b>(4,328)</b>	<b>(31,218)</b>
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	4,231	4,184
Investment in plant and other	4,378	19,925
Investment in annuity agreements, net	59	261
	<b>8,668</b>	<b>24,370</b>

(Continued)

**Stetson University, Inc.**

**Consolidated Statements of Cash Flows (Continued)**  
**Years Ended June 30, 2019 and 2018**  
**(In Thousands)**

	2019	2018
Other financing activities:		
Increase in federal student loan funds	\$ 104	\$ 84
Proceeds from long-term debt	4,230	2,811
Payments on long-term debt	(1,778)	(1,657)
Payments on annuities payable	(238)	(239)
	<u>2,318</u>	<u>999</u>
<b>Net cash provided by financing activities</b>	<u><b>10,986</b></u>	<u><b>25,369</b></u>
<b>Net change in cash and cash equivalents</b>	<b>10,303</b>	444
Cash and cash equivalents:		
Beginning	<u>15,643</u>	15,199
Ending	<u><u>\$ 25,946</u></u>	<u><u>\$ 15,643</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u><u>\$ 4,806</u></u>	<u><u>\$ 4,869</u></u>
Supplemental disclosures of noncash investing and financing activities:		
Capital expenditures included in accounts payable and accrued expenses	<u><u>\$ 715</u></u>	<u><u>\$ 2,187</u></u>

See notes to consolidated financial statements.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

**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 Internal Revenue Service (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 are the balances for GSH Investments, LLC (the LLC), in which the University is the sole member. GSH Investments has acquired additional property, which is owned by the LLC, until it is either sold or transferred to the University.

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:

**Net assets without donor restrictions:** 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.

**Net assets with donor restrictions:** 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. Net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the return earned on related assets for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. 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 consolidated statements of activities.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

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

**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 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.

**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.

**Restricted cash:** Restricted cash as of June 30, 2018, consists of proceeds from the Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015. These funds are subject to restrictions imposed by the bond covenants and limited to use on authorized bond projects. During fiscal year 2019, all proceeds were expended on authorized projects. See Note 8 for further details concerning the Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015.

**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 consolidated 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 both June 30, 2019 and 2018, student loans represented approximately 1.0% of total assets.

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 consolidated 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.

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

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

**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 present value discounting) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The net present value (NPV) is determined at the time the unconditional promise to give is initially received, and is determined using a risk adjusted rate applied to the most likely cash flows. Amortization of the resulting 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.

**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 established by using the net asset value (NAV) of each investment provided by the investment fund manager. Individual investment holdings within the alternative investments may, in turn, include investments in both nonmarketable and market-traded securities. 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 consolidated 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 (the Trust).

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. The Trust 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.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

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

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 \$264,843 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2019, \$2,879 represents split-interest agreements, and the associated liabilities total \$2,110. Of the approximately \$256,218 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2018, \$2,916 represents split-interest agreements, and the associated liabilities total \$2,156.

**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. When any property, plant and equipment is removed from the records, any gain or loss is recognized at the time of disposal.

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 5 to 40 years. The estimated useful life of furniture and equipment and library books is 3 to 10 years.

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

**Original issue premiums:** The original issue premiums on bonds are being amortized using the effective interest method over the life of the bonds and are included with long-term debt on the accompanying consolidated statements of financial position.

**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 consolidated 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 (IRC) 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.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

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

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

**Operating and nonoperating activities:** The consolidated 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, net asset releases for property, plant and equipment placed into service, and significant items of an unusual or nonrecurring nature.

**Contributions:** The University records contributions of cash and other assets and unconditional promises to give upon receipt. The University records contributions of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. Unconditional promises to give are recorded as restricted contributions unless the donor specifies that the pledge is to support current year operations. 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 or disposed. 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 assets are received or when long-lived assets are acquired with restricted contributions are placed into 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 consolidated statements of activities.

**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 years ended June 30, 2019 and 2018, is treated as deferred revenue and is included with student deposits and other current liabilities on the accompanying consolidated statements of financial position. The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue on the accompanying consolidated statements of activities. See Note 16 for further disclosures.

**Sales of educational services and sales and services of auxiliary enterprises:** Sales of educational services and sales and services of auxiliary enterprises, which include room, board and other student services, are recognized when earned. See Note 16 for further disclosures.

**Government grants:** Government grants are recognized when all requirements relating to the grants and contracts have been met. See Note 16 for further disclosures.

## Stetson University, Inc.

### Notes to Consolidated Financial Statements (Dollars in Thousands)

---

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

**Advertising costs:** The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to approximately \$711 and \$749 for the years ended June 30, 2019 and 2018, respectively.

**Functional expenses:** Expenses are primarily reported in the consolidated statements 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 \$4,541 and \$4,569 for the years ended June 30, 2019 and 2018, respectively, and are included in institutional support in the consolidated statements of activities.

**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.

**Recently adopted accounting pronouncements:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09. The amendments in this ASU 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 ASU were effective for the University's fiscal year 2019 and resulted in additional note disclosures in the University's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-14, *Not-for Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. These amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and consolidated cash flows. The University adopted this standard in fiscal 2019 and retrospectively applied the presentation to the 2018 financial statements. The impact of adoption of this standard on the previously presented 2018 consolidated financial statements was a decrease in net assets without donor restrictions and increase in net assets with donor restrictions, beginning of period, of \$1,366 and a decrease in change in net assets without donor restrictions and an increase in change in net assets with donor restrictions of \$1,005. In addition to changes in terminology used to describe net asset categories throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (see Note 17) and a consolidated statement of functional expenses, which shows how natural expense categories fit into functional expense categories, along with additional disclosures regarding any natural expenses which must be allocated into functional expense categories (see Note 18).

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

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

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. ASU 2017-07 requires that an entity report the service cost component of net periodic pension and postretirement cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. The remaining components of net benefit costs are required to be presented in the income statement separately from the service component and outside a subtotal of income from operations, if one is presented. The amendment further allows only the service cost component of net periodic pension and postretirement costs to be eligible for capitalization. ASU 2017-07 is effective for fiscal years beginning after December 15, 2017, and the interim periods included within those annual periods, with early adoption permitted. ASU 2017-07 must be applied retrospectively for the presentation of the service cost component and the other components of net periodic pension cost and net periodic postretirement benefit cost in the consolidated income statement, and prospectively, on and after the effective date, for the capitalization of the service cost component of net periodic pension cost and net periodic postretirement benefit in assets. The adoption of this standard was not material to the University's consolidated financial statements in 2019 or 2018.

**Recently issued accounting pronouncement:** In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the consolidated statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. Management believes such impact will not be material on the consolidated financial statements upon implementing this ASU.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 2. Notes and Accounts Receivable**

	2019	2018
Student accounts receivable (net of allowance of \$452 in 2019 and \$529 in 2018)	\$ 2,272	\$ 2,681
Student loans receivable (net of allowance of \$1,297 in 2019 and \$1,380 in 2018)	4,600	5,427
Grants receivable	1,510	2,661
Accrued interest receivable	1,083	1,108
Estate bequests	103	262
Other receivables	1,115	1,529
	<u>\$ 10,683</u>	<u>\$ 13,668</u>

At June 30, student loans consisted of the following:

	2019	2018
Federal Perkins Loan program	\$ 5,619	\$ 6,510
Institutional programs	278	297
	<u>5,897</u>	<u>6,807</u>
Less allowance for doubtful accounts:		
Beginning of year	(1,380)	(1,869)
Adjustments	59	280
Write-offs	24	209
End of year	<u>(1,297)</u>	<u>(1,380)</u>
Student loans receivable, net	<u>\$ 4,600</u>	<u>\$ 5,427</u>

The University participates in the Perkins federal revolving loan program (the 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 \$5,546 and \$5,442 at June 30, 2019 and 2018, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated 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, 2019 and 2018, 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
2019	\$ 620	\$ 229	\$ 615	\$ 1,464
2018	\$ 463	\$ 241	\$ 559	\$ 1,263

**Stetson University, Inc.****Notes to Consolidated Financial Statements  
(Dollars in Thousands)****Note 3. Pledges Receivable**

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

	2019	2018
One year or less	\$ 6,867	\$ 6,132
Between one year and five years	6,022	6,669
More than five years	6,282	4,721
	<u>19,171</u>	<u>17,522</u>
Less discount	(1,657)	(1,470)
Less allowance	(1,581)	(1,530)
	<u>\$ 15,933</u>	<u>\$ 14,522</u>

The discount rate used for contributions receivable in 2019 and 2018, ranged from 0.28% to 3.05%.

Pledges receivable are classified as follows:

	2019	2018
Contributions to be held in perpetuity	\$ 6,688	\$ 4,933
Contributions restricted by time or purpose	9,245	9,589
	<u>\$ 15,933</u>	<u>\$ 14,522</u>

Approximately 70% of the University's pledges receivable at June 30, 2019 and 2018, were provided by ten and eleven contributors, respectively. Written promises to give from members of the Board of Trustees and Officers of the University support net pledges receivable as of June 30, 2019 and 2018, of approximately \$1,964 and \$1,456, respectively.

**Note 4. Investments**

A summary of investments by type is as follows:

	2019		2018	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 4,188	\$ 4,188	\$ 2,901	\$ 2,901
Equity securities	7,697	16,811	28,467	38,626
Equity mutual funds	91,768	136,864	70,022	111,582
Fixed income securities	46,159	46,750	44,604	44,400
Fixed income mutual funds	13,704	13,741	24,896	25,123
Alternative investments	40,939	45,777	28,696	32,899
Other investments	1,273	712	1,260	687
Total	<u>\$ 205,728</u>	<u>\$ 264,843</u>	<u>\$ 200,846</u>	<u>\$ 256,218</u>

**Stetson University, Inc.****Notes to Consolidated Financial Statements  
(Dollars in Thousands)****Note 4. Investments (Continued)**

Income and net realized gains (losses) on investments for the year ended June 30, 2019, are as follows:

<u>By source of earnings:</u>	Without Donor Restrictions	With Donor Restrictions	Total
Income on endowment funds	\$ 1,343	\$ 3,769	\$ 5,112
Other investment income	802	-	802
Net realized gains on endowment funds	2,288	5,362	7,650
Net realized gains (losses) on other investment income	-	(9)	(9)
	<u>\$ 4,433</u>	<u>\$ 9,122</u>	<u>\$ 13,555</u>

By operating and non-operating:

Income and realized gains on investments – net from operating activity	\$ 467	\$ -	\$ 467
Income and realized gains on investments – net from non-operating activities	3,966	9,122	13,088
	<u>\$ 4,433</u>	<u>\$ 9,122</u>	<u>\$ 13,555</u>

Income and net realized gains (losses) on investments for the year ended June 30, 2018, are as follows:

<u>By source of earnings:</u>	Without Donor Restrictions	With Donor Restrictions	Total
Income on endowment funds	\$ 1,217	\$ 3,414	\$ 4,631
Other investment income	627	-	627
Net realized gains on endowment funds	350	1,128	1,478
Net realized gains (losses) on other investment income	(108)	4	(104)
	<u>\$ 2,086</u>	<u>\$ 4,546</u>	<u>\$ 6,632</u>

By operating and non-operating:

Income and realized gains on investments – net from operating activity	\$ 351	\$ 4	\$ 355
Income and realized gains on investments – net from non-operating activities	1,735	4,542	6,277
	<u>\$ 2,086</u>	<u>\$ 4,546</u>	<u>\$ 6,632</u>

Investment income is net of management fees and expenses of approximately \$862 and \$863 for the years ended June 30, 2019 and 2018, respectively.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 4. Investments (Continued)**

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, 2019			
	Cost	Market Value	Net Gain	Market Value Per Share
End of period	\$ 180,514	\$ 238,890	\$ 58,376	\$ 14.35
Beginning of period	175,560	230,821	<u>55,261</u>	14.24
Net change in unrealized appreciation for the period			3,115	
Net realized gain for the period			<u>7,673</u>	
Total net gain			<u>\$ 10,788</u>	

  

	Year Ended June 30, 2018			
	Cost	Market Value	Net Gain	Market Value Per Share
End of period	\$ 175,560	\$ 230,821	\$ 55,261	\$ 14.24
Beginning of period	172,161	213,853	<u>41,692</u>	13.41
Net change in unrealized appreciation for the period			13,569	
Net realized gain for the period			<u>1,160</u>	
Total net gain			<u>\$ 14,729</u>	

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2019 and 2018, the earnings were \$5,237 and \$4,753, respectively, or \$0.31 and \$0.29 per share, respectively, as computed on ending shares.

**Note 5. Endowment**

The University's endowment consists of approximately 610 individual funds established for a variety of purposes. These resources are recorded as net assets without donor restrictions and net assets with donor restrictions, as described below.

**Interpretation of relevant law:** The University follows the provisions of 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.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 5. Endowment (Continued)**

The University is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FL UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The University's Board of Trustees has interpreted FL UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument. The University has interpreted FL UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, 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 of Trustee'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 net assets with donor restrictions.

Endowment net assets were comprised of the following as of June 30, 2019:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 72,352	\$ 300	\$ 72,652
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	137,631	137,631
Accumulated investment gains	-	37,154	37,154
	<u>\$ 72,352</u>	<u>\$ 175,085</u>	<u>\$ 247,437</u>

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 5. Endowment (Continued)**

Endowment net assets were composed of the following as of June 30, 2018:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 71,133	\$ -	\$ 71,133
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	131,076	131,076
Accumulated investment gains	-	33,080	33,080
	<u>\$ 71,133</u>	<u>\$ 164,156</u>	<u>\$ 235,289</u>

Changes to endowment net assets for the fiscal year ended June 30, 2019, are as follows:

	Without Donor Restrictions	With donor restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	
Endowment net assets, beginning of year	\$ 71,133	\$ 131,076	\$ 33,080	\$ 164,156	\$ 235,289
Investment return:					
Investment income	1,562	-	3,805	3,805	5,367
Realized gain	2,288	-	5,378	5,378	7,666
Unrealized gain	887	-	2,587	2,587	3,474
Total investment gain	4,737	-	11,770	11,770	16,507
Contributions	-	4,193	-	4,193	4,193
Distributed earnings	(3,061)	-	(7,390)	(7,390)	(10,451)
Other changes:					
Transfers to create board-designated funds	4	-	359	359	363
Conversion of dormant loan funds	-	2,207	-	2,207	2,207
Other endowment activity	(461)	155	(365)	(210)	(671)
Endowment net assets, end of year	<u>\$ 72,352</u>	<u>\$ 137,631</u>	<u>\$ 37,454</u>	<u>\$ 175,085</u>	<u>\$ 247,437</u>

Changes to endowment net assets for the fiscal year ended June 30, 2018, are as follows:

	Without Donor Restrictions	With donor restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	
Endowment net assets, beginning of year	\$ 67,546	\$ 126,843	\$ 27,298	\$ 154,141	\$ 221,687
Investment return:					
Investment income	1,435	-	3,441	3,441	4,876
Realized gain	350	-	1,128	1,128	1,478
Unrealized gain	4,120	-	9,579	9,579	13,699
Total investment gain	5,905	-	14,148	14,148	20,053
Contributions	-	4,147	-	4,147	4,147
Distributed earnings	(3,006)	-	(7,118)	(7,118)	(10,124)
Other changes:					
Transfers to create board-designated funds	43	-	91	91	134
Other endowment activity	645	86	(1,339)	(1,253)	(608)
Endowment net assets, at end of year	<u>\$ 71,133</u>	<u>\$ 131,076</u>	<u>\$ 33,080</u>	<u>\$ 164,156</u>	<u>\$ 235,289</u>

## Stetson University, Inc.

### Notes to Consolidated Financial Statements (Dollars in Thousands)

---

#### Note 5. Endowment (Continued)

**Pledges, funds held in trust by others and investment in affiliated entity:** Endowment pledges, funds held in trust by others, and investment in affiliated entity are not included in the above net asset balances. Net assets with donor restrictions attributable to endowment pledges as of June 30, 2019 and 2018, amount to \$6,688 and \$4,933, respectively, (see Note 3). Net assets with donor restrictions attributable to funds held in trust by others as of June 30, 2019 and 2018, amount to \$7,833 and \$7,705, respectively (see Note 6). Net assets with donor restrictions attributable to investments in affiliated entity as of June 30, 2019 and 2018, amount to \$4,484 and \$4,325, respectively (see Note 12).

**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. As of June 30, 2019, deficiencies of this nature exist in 19 donor-restricted endowment funds, which together have an original gift value of \$8,486, a current fair value of \$7,283, and a deficiency of \$1,203. As of June 30, 2018, deficiencies of this nature exist in 22 donor-restricted endowment funds, which together have an original gift value of \$10,324, a current fair value of \$8,964, and a deficiency of \$1,360. 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, 2019 and 2018, the amount of these deficiencies totaled approximately \$1,203 and \$1,360, respectively.

**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 fiscal years 2019 and 2018, 4.8% and 4.9% was applied to the 12-quarter moving average, respectively. The University has a policy that permits spending from underwater endowment funds, unless otherwise precluded by donor intent or relevant laws and regulations. The University appropriated \$312 and \$391 from underwater endowment funds during 2019 and 2018, respectively.

**Stetson University, Inc.****Notes to Consolidated Financial Statements  
(Dollars in Thousands)****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 consolidated statements of financial position and 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, 2019 and 2018, amounted to approximately \$9,194 and \$9,035, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to approximately \$1,396 and \$1,365 at June 30, 2019 and 2018, respectively.

**Note 7. Property, Plant and Equipment**

Property, plant and equipment are summarized as follows:

	2019	2018
Land	\$ 9,309	\$ 8,967
Land improvements, building and facilities	273,523	236,339
Furniture and equipment	35,231	31,456
Library books and collections	28,893	29,160
Construction-in-progress	11,802	37,839
	<u>358,758</u>	<u>343,761</u>
Less accumulated depreciation and amortization	(154,977)	(144,989)
	<u>\$ 203,781</u>	<u>\$ 198,772</u>

Depreciation expense relating to constructed and purchased property and equipment was approximately \$10,988 and \$10,222 for the years ended June 30, 2019 and 2018, respectively.

Interest capitalized during the years ended June 30, 2019 and 2018, was approximately \$387 and \$1,125, respectively.

Construction-in-progress (CIP) at June 30, 2019 and 2018 consists of the following:

	2019	2018
Carlton Union Building Renovation	\$ -	\$ 30,387
Sandra Stetson Aquatic Center	8,040	3,782
College of Law Chiller Plant	-	2,122
Stetson Hillel House	954	-
Edinger Golf Complex	590	-
Edmunds Center Upgrade	516	-
Other projects	1,702	1,548
	<u>\$ 11,802</u>	<u>\$ 37,839</u>

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 7. Property, Plant and Equipment (Continued)**

Estimated costs to complete these projects at June 30, 2019 and 2018, amount to \$2,885 and \$9,648, respectively.

The University recognized approximately \$2,160 and \$2,366 for rental income on various facilities during the years ended June 30, 2019 and 2018, respectively.

**Note 8. Long-Term Debt**

Long-term debt consists of the following:

	2019	2018
Bonds payable:		
Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2015 – payable in annual principal and interest payments ranging from \$6,270 to \$6,275 including annual principal amounts of \$1,680 to \$5,975 through 2045 and semiannual interest amounts 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%.	\$ 90,165	\$ 91,845
Other notes payable	7,821	3,689
Debt issuance costs	(651)	(711)
Unamortized premium on bonds payable	7,874	8,669
	<u>\$ 105,209</u>	<u>\$ 103,492</u>

As of June 30, 2019, the University had a revolving line of credit that could provide up to \$5,000 for the operations and maintenance of the University. Borrowings under this line of credit would bear interest at the London Interbank Offer Rate (LIBOR) plus 1.25%, which automatically adjusts on a monthly basis. There was no use of this revolving line of credit during the fiscal year.

Required reductions of long-term debt for the fiscal years following 2019, are as follows:

Years ending June 30:	Principal			Interest	Total Debt Service
	Bonds	Other	Total		
2020	\$ 1,765	\$ 200	\$ 1,965	\$ 4,764	\$ 6,729
2021	1,855	519	2,374	4,655	7,029
2022	1,945	7,082	9,027	4,554	13,581
2023	2,040	20	2,060	4,230	6,290
2024	2,145	-	2,145	4,128	6,273
Thereafter	80,415	-	80,415	51,302	131,717
	<u>\$ 90,165</u>	<u>\$ 7,821</u>	<u>\$ 97,986</u>	<u>\$ 73,633</u>	<u>\$ 171,619</u>

## Stetson University, Inc.

### Notes to Consolidated Financial Statements (Dollars in Thousands)

---

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

During fiscal year 2017, the University entered into a five-year, 3.185% fixed interest only draw down as needed note with a maximum borrowing capacity of \$8,000. This note provides financing for the Sandra Stetson Aquatic Center project, energy efficient campus upgrades, and other University projects. A balloon payment of the principal balance, plus accrued interest, will be due on June 28, 2022. As of June 30, 2019, and 2018, \$7,024 and \$2,833, respectively, has been drawn including issuance costs. The President of the University is on the board of directors for the financial institution which holds this note.

#### Note 9. Operating Leases

The University has entered into various leases for automobiles, office equipment, and facilities. The leases are noncancelable operating leases, which expire at various dates through 2033. Following is a schedule of minimum future rental payments under noncancelable operating leases:

Years ending June 30:		
2020	\$	397
2021		205
2022		180
2023		148
2024		41
Thereafter		395
Minimum future rental payments	\$	<u>1,366</u>

Rent expense incurred under operating leases amounted to approximately \$1,423 and \$1,525 for the years ended June 30, 2019 and 2018, 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, 2019 and 2018, amounted to approximately \$5,250 and \$5,224, 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 \$12,300 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.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**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 consolidated statements 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 consolidated year-end statements 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.

	2019	2018
Change in accumulated postretirement benefit obligation:		
Benefit obligation at beginning of year	\$ 6,446	\$ 6,758
Service cost	122	104
Interest cost	249	234
Plan participants' contributions	395	397
Actuarial loss/(gain)	(557)	(270)
Plan amendment	(239)	-
Benefit payments	(747)	(777)
Benefit obligation at end of year	<u>\$ 5,669</u>	<u>\$ 6,446</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
University contributions	352	380
Plan participants' contributions	395	397
Benefits paid	(747)	(777)
Medicare subsidy received	-	-
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

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

	2019	2018			
Funded status of the Plan:					
Funded status at end of year	\$ (5,669)	\$ (6,446)			
Unrecognized actuarial loss	-	-			
Unrecognized prior service cost	-	-			
Net accrued benefit liability	\$ (5,669)	\$ (6,446)			
Amounts recognized in the consolidated statements of financial position:					
Postretirement benefit liability	\$ 5,669	\$ 6,446			
Net amount recognized	\$ 5,669	\$ 6,446			
Amounts recognized in the consolidated statements of activities:					
Net loss	\$ 2,098	\$ 2,830			
Assumptions as of the end of the year:					
Discount rate	3.13%	3.92%			
Expected return on assets	N/A	N/A			
Rate of compensation increases	N/A	N/A			
Accumulated Postretirement Benefit Obligation (APBO):					
Active employees	\$ 1,015	\$ 1,230			
Retirees	4,654	5,216			
Total APBO	5,669	6,446			
Unrecognized gain (loss)	-	-			
Accrued postretirement benefit liability	\$ 5,669	\$ 6,446			
<table border="0" style="width: 100%;"> <thead> <tr> <th></th> <th style="text-align: right; border-bottom: 1px solid black;">2019</th> <th style="text-align: right; border-bottom: 1px solid black;">2018</th> </tr> </thead> </table>				2019	2018
	2019	2018			
Net periodic postretirement benefit cost:					
Service costs (benefits earned during the period)	\$ 122	\$ 104			
Interest cost (on accumulated postretirement benefit obligation)	249	234			
Amortization of net actuarial loss/(gain)	175	208			
Net periodic postretirement benefit costs	\$ 546	\$ 546			

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

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

For measurement purposes, a 6.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for the year ended June 30, 2019. The rate was assumed to decrease to 6.0% in the second year and by 0.25% per year until 2026 and remain at 4.5% 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, 2019:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost	\$ 39	\$ (34)
Effect on end of year postretirement benefit obligation	512	(439)

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:

Years ending June 30:		
2020		\$ 374
2021		378
2022		392
2023		395
2024		393
2025-2029		1,866

**Note 11. Related-Party Transactions**

During the 2019 and 2018 fiscal years, the University paid \$1,765 and \$1,631, 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, 2019 and 2018. During fiscal years 2019 and 2018, the University paid \$84 and \$50, respectively, to a firm for which a trustee is a Managing Director for consulting services and software license fees. In addition, during fiscal years 2019 and 2018, the University paid \$107 and \$0, respectively, for furniture and equipment from a business owned by a University trustee.

## Stetson University, Inc.

### Notes to Consolidated Financial Statements (Dollars in Thousands)

---

#### Note 12. 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 consolidated statements of financial position as investment in affiliated entity.

The change in net assets of the Foundation for the years ended June 30, 2019 and 2018, was \$159 and \$226, respectively. The University's interest in the net assets for the Foundation as of June 30, 2019 and 2018, amounted to approximately \$4,484 and \$4,325, respectively.

#### Note 13. Net Assets with Donor Restrictions

Net Assets with donor restrictions were comprised of the following at June 30, 2019 and 2018:

	Restricted by Purpose and/or Time	Held in Perpetuity	Total
June 30, 2019:			
Scholarships	\$ 19,507	\$ 71,681	\$ 91,188
Programs	30,805	75,388	106,193
Capital	23,791	-	23,791
Trusts and annuities – time restricted	1,916	251	2,167
Pledges	9,245	6,688	15,933
	<u>\$ 85,264</u>	<u>\$ 154,008</u>	<u>\$ 239,272</u>
June 30, 2018:			
Scholarships	\$ 17,321	\$ 66,728	\$ 84,049
Programs	27,968	73,658	101,626
Capital	23,936	-	23,936
Trusts and annuities – time restricted	1,889	239	2,128
Loans	-	2,218	2,218
Pledges	9,589	4,933	14,522
	<u>\$ 80,703</u>	<u>\$ 147,776</u>	<u>\$ 228,479</u>

Net assets released from restrictions in the years ended June 30, 2019 and 2018, are comprised of approximately \$12,206 and \$10,849, respectively, due to satisfaction of program restrictions and scholarship awards, and approximately \$4,610 and \$737, respectively, due to acquisition of capital assets that were placed in service.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

**Note 14. Fair Value Measurements**

Guidance provided by the FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The University utilizes valuation techniques to maximize the use of observable inputs and minimize the use of unobservable inputs. Assets and liabilities recorded at fair value are categorized within their fair value. The fair value hierarchy based upon the level of judgment associated with the inputs used to measure their fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. Descriptions of the three levels of the fair value hierarchy are as follows:

**Level 1:** Financial instruments with unadjusted, quoted prices listed on active market exchanges.

**Level 2:** Financial instruments determined using prices for recently traded financial instruments with similar underlying terms as well as directly or indirectly observable inputs, such as interest rates and yield curves that are observable at commonly quoted intervals.

**Level 3:** Financial instruments that are not actively traded on an active exchange. This category includes situations where there is little, if any, market activity for the financial instrument. The prices are determined using significant unobservable inputs or valuation techniques.

In determining fair value, the University uses various valuation approaches within the FASB ASC 820 fair value measurement framework. The following is a description of the valuation methodologies used for instruments measured at fair value and their classification within the hierarchy:

**Investments:**

**Money market funds:** Money market funds are in active markets and classified within Level 1 of the valuation hierarchy.

**Equities and mutual funds:** Equity securities and mutual funds listed on national markets or exchanges are valued at the last sales price, or if there is no sale and the market is considered active, at the mean of the last bid and asked prices on such exchange. Such securities are classified within Level 1 of the valuation hierarchy. Certain of the University's investments in mutual funds consist primarily of equity or fixed income securities while other mutual funds reflect multiple asset-class investment strategies.

**Fixed-income securities:** Investments in debt securities include corporate bonds and government and government agency obligation bonds. These securities are valued using market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data and classified within Level 2 of the hierarchy.

**Alternative investments:** Alternative investments are valued as a practical expedient at the NAV of the units held by the University at year end.

**Funds held in trust by others:** The University has been named as a beneficiary in charitable remainder trusts and perpetual trusts in which the University is not the trustee. Amounts reported approximate fair value. Under the guidelines set forth in the FASB ASC 820 fair value hierarchy, funds held in trust by others are classified as Level 3 inputs due to the estimates involved, including the discounts used to estimate the present value of future cash flows.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 14. Fair Value Measurements (Continued)**

The following table presents the fair values for assets and liabilities measured on a recurring basis as of June 30, 2019:

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
Short-term investments:				
Fixed income mutual funds:				
U.S. Government	\$ -	\$ -	\$ -	\$ -
Multi-strategy	2,873	2,873	-	-
Short-term investments total	<u>\$ 2,873</u>	<u>\$ 2,873</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	\$ 9,194	\$ -	\$ -	\$ 9,194
Investments:				
Money market funds	\$ 4,188	\$ 4,188	\$ -	\$ -
Equity securities:				
U.S. large cap	1,468	1,468	-	-
U.S. mid/small cap	13,594	13,594	-	-
International developed	1,365	1,365	-	-
Unit Investment trusts	384	384	-	-
Equity mutual funds:				
U.S. large cap	112,233	112,233	-	-
U.S. mid/small cap	322	322	-	-
International developed	23,874	23,874	-	-
Emerging markets	276	276	-	-
Multi-strategy	159	159	-	-
Fixed income securities:				
U.S. Government	29,120	-	29,120	-
Corporate	17,628	-	17,628	-
Global fixed	2	-	2	-
Fixed income mutual funds:				
U.S. Government	183	183	-	-
Corporate	290	290	-	-
Multi-strategy	13,267	13,267	-	-
Global fixed	1	1	-	-
Other investments	712	189	523	-
Fair value hierarchy total	<u>219,066</u>	<u>\$ 171,793</u>	<u>\$ 47,273</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	23,782			
Private equity funds	13,402			
Emerging market funds	3,132			
Private equity fund of funds	5,461			
Investments total	<u>\$ 264,843</u>			

(\*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the 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 consolidated statements of financial position (see Note 15).

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 14. Fair Value Measurements (Continued)**

The following table presents the fair values for assets and liabilities measured on a recurring basis as of June 30, 2018:

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
Short-term investments:				
Fixed income mutual funds:				
U.S. Government	\$ -	\$ -	\$ -	\$ -
Multi-strategy	4,493	4,493	-	-
Short-term investments total	<u>\$ 4,493</u>	<u>\$ 4,493</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	\$ 9,035	\$ -	\$ -	\$ 9,035
Investments:				
Money market funds	\$ 2,901	\$ 2,901	\$ -	\$ -
Equity securities:				
U.S. large cap	22,581	22,581	-	-
U.S. mid/small cap	12,334	12,334	-	-
International developed	3,363	3,363	-	-
Unit Investment trusts	349	349	-	-
Equity mutual funds:				
U.S. large cap	87,451	87,451	-	-
U.S. mid/small cap	449	449	-	-
International developed	23,275	23,275	-	-
Emerging markets	259	259	-	-
Multi-strategy	148	148	-	-
Fixed income securities:				
U.S. Government	34,575	-	34,575	-
Corporate	9,823	-	9,823	-
Global fixed	2	-	2	-
Fixed income mutual funds:				
U.S. Government	195	195	-	-
Corporate	399	399	-	-
Multi-strategy	9,483	9,483	-	-
Global fixed	15,045	15,045	-	-
Other investments	687	164	523	-
Fair value hierarchy total	<u>223,319</u>	<u>\$ 178,396</u>	<u>\$ 44,923</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	11,271			
Private equity funds	12,740			
Emerging market funds	6,383			
Private equity fund of funds	2,505			
Investments total	<u>\$ 256,218</u>			

(\*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the 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 consolidated statements of financial position (see Note 15).

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 14. Fair Value Measurements (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, 2019 and 2018:

	2019	2018
Balance, at beginning of year	\$ 9,035	\$ 8,717
Actuarial and present value adjustments	159	318
Balance, at end of year	<u>\$ 9,194</u>	<u>\$ 9,035</u>

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. Net Asset Value (NAV)**

The following table sets forth a summary of the University's investments with a reported NAV or equivalent:

	Fair Value June 30, 2019	Fair Value June 30, 2018	Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments
Hedge fund of funds <sup>(a)</sup>	\$ 11,638	\$ 11,271	Semi-annual	95 days	\$ -
Private equity funds <sup>(b)</sup>	5,763	5,816	Quarterly	60 days	-
Emerging markets funds <sup>(c)</sup>	-	6,383	Monthly	15 days	-
Emerging markets funds <sup>(c)</sup>	3,132	-	Twice Monthly	15 days	-
Private equity funds <sup>(d)</sup>	7,639	6,924	Quarterly	90 days	-
Private equity fund of funds <sup>(e)</sup>	4,046	2,414	Not Eligible	Not Eligible	1,985
Private equity fund of funds <sup>(f)</sup>	1,021	91	Not Eligible	Not Eligible	3,850
Private equity fund of funds <sup>(f)</sup>	192	-	Not Eligible	Not Eligible	3,760
Private equity fund of funds <sup>(f)</sup>	202	-	Not Eligible	Not Eligible	800
Hedge fund of funds <sup>(g)</sup>	12,144	-	Quarterly	100 days	-

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 15. Net Asset Value (NAV) (Continued)**

- a. This class incorporates strategies with relative value, market neutral and low net equity, event driven, and distressed and credit securities. The fair values of the investments in this class have been estimated using the NAV per share.
- b. This class is an open-end commingled fund designed to invest in high quality U.S. 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 U.S. 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 NAV per share.
- c. 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 Exchange Traded Funds (ETFs), Exchange Traded Notes (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 NAV per share.
- d. This class is an open-end commingled fund designed to invest in a nationally diversified portfolio of high quality real estate assets. The fund's investment portfolio consists of over 40 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 U.S. The fair values of the investments in this class have been estimated using the NAV per share.
- e. This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments purchased on the secondary market. The fund will be diversified across strategy types with investments in venture capital, buyout, and credit while also diversified globally in the North America, Europe, and Asia/Pacific. The fair values of the investments in this class have been estimated using the NAV per share.
- f. This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments. The fund will be diversified across investment funds focused on US small to mid market buyout private equity. The fair values of the investments in this class have been estimated using the NAV per share.
- g. This class incorporates strategies with relative value, arbitrage, global macro, long-short equity, event driven, and distressed and credit securities. The fair values of the investments in this class have been estimated using the NAV per share.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 16. Net Tuition, Sales of Educational Services and Auxiliary Enterprises and Grant Revenues**

**Tuition revenue and discounts:** Tuition and fees for instruction, net of scholarships and fellowships, and sales of educational services are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts and notes receivable from students from services provided from contracts are disclosed in Note 3 of the consolidated financial statements. The portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2019 and 2018, is treated as deferred revenue and is included with student deposits and other current liabilities on the accompanying consolidated statements of financial position. The amount of deferred revenue for these summer terms is immaterial to the consolidated financial statements.

Student financial aid in the form of scholarships and fellowships is reflected as contra-tuition revenue in the consolidated statements of changes in net assets.

Disaggregated information concerning tuition and fees by type of student as of June 30, 2019 and 2018, is as follows:

	2019	2018
Undergraduate (net of scholarships and fellowships of \$82,191 in 2019 and \$76,005 in 2018)	\$ 57,340	\$ 56,003
College of Law (net of scholarships and fellowships of \$11,070 in 2019 and \$9,834 in 2018)	26,565	25,367
Graduate (net of scholarships and fellowships of \$894 in 2019 and \$1,063 in 2018)	4,626	5,318
Total tuition and fees (net of scholarships and fellowships of \$94,155 in 2019 and \$86,902 in 2018)	<u>\$ 88,531</u>	<u>\$ 86,688</u>

**Sales of educational services and sales and services of auxiliary enterprises:** Sales of educational services consists primarily of continuing education, professional certificate, and community school programs and are substantially billed and collected during the fiscal year.

The University's sales and services of auxiliary enterprises consist principally of goods and services to the campus community, such as residence and dining halls, retail food services, bookstore operations, facility rental, and print shop services. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester as these services are delivered. Accounts receivable from students for these services are reported in Note 3 of the consolidated financial statements.

Bookstore operations are contracted with a third-party vendor and the University receives commission payments from the vendor based on monthly sales. Associated revenue with bookstore commissions are earned and recognized over the course of each semester once they can be estimated.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 16. Net Tuition, Sales of Educational Services and Auxiliary Enterprises and Grant Revenues (Continued)**

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service is as follows:

	2019	2018
Residence halls	\$ 17,255	\$ 17,061
Dining services	8,811	7,931
Bookstore commissions	241	232
Other	911	864
Total sales and services of auxiliary enterprises	<u>\$ 27,218</u>	<u>\$ 26,088</u>

**Government grants:** *Grants for basic research and other sponsored programs are generally subject to restrictions and conditions that must be met before the University is entitled to funding. Accordingly, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed. The University recognizes revenues on grants for basic research and other sponsored programs as the awards for such programs are expended, since expenditure in accordance with award terms typically results in the simultaneous release of restrictions and conditions imposed by the grantor.*

**Note 17. Liquidity and Funds Available**

The following table reflects the University's financial assets as of June 30, 2019, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, state required annuity reserves, trust assets, assets held for others, perpetual endowments and accumulated earnings, net of appropriations within one year (if any), or because the governing board has set aside the funds for specific reserves or for board designated endowments. Board designated investments of \$90,842 could be released and drawn upon if the board approves such action.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements**  
**(Dollars in Thousands)**

---

**Note 17. Liquidity and Funds Available (Continued)**

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The University also has an unsecured \$5,000 line of credit, which it could draw upon in the event of an anticipated liquidity need (see Note 8).

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 25,946
Short-term investments	2,873
Notes, accounts and pledges receivable	26,616
Investments	264,843
Funds held in trust by others	<u>9,194</u>
Financial assets, at year-end	329,472
Less those unavailable for general expenditure within one year, due to:	
Reserved for self funded benefit plan	(893)
Pledges for the endowment	(6,688)
Other pledges and accounts receivable collectible beyond one year	(7,415)
Perpetual and term endowments and accumulated earnings	(169,653)
Investments held in trust	(3,640)
Investments in board designated endowments	(72,352) *
Investments in board designated reserve	(18,490) *
Investments and perpetual trusts held by others	<u>(9,194)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,147</u>

\* Board designated assets total \$90,842.

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 18. Expenses by Both Nature and Function**

The consolidated financial statements report certain categories of expenses that are attributable to one or more program or supporting function of the University. These expenses include depreciation, interest, information technology and facilities operations and maintenance. Depreciation, interest and operations and maintenance are allocated based on square footage of space. Costs of information technology are allocated on estimates of time and effort. Total expenses includes all operating expenses.

Functional expenses by natural classification as of June 30, 2019:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation & Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 28,060	\$ 146	\$ 18	\$ 634	\$ -	\$ -	\$ -	\$ -	\$ 28,858
Staff salaries and wages	3,590	89	206	3,202	11,461	10,717	5,227	184	34,676
Employee benefits	10,123	42	22	1,150	3,501	3,593	1,774	62	20,267
Utilities, alterations and repairs	76	-	6	82	390	186	4,590	1,729	7,059
Insurance	153	-	4	36	301	957	43	203	1,697
Employee development and travel	1,768	87	76	570	2,075	349	7	25	4,957
Supplies and services	6,879	583	598	5,675	7,743	1,947	1,092	5,992	30,509
Depreciation	-	-	-	-	-	-	10,273	715	10,988
Interest	-	-	-	-	5	-	2,455	1,216	3,676
	50,649	947	930	11,349	25,476	17,749	25,461	10,126	142,687
Facilities operation and maintenance	6,892	-	275	2,803	3,286	1,550	(25,461)	10,655	-
Total expenses	\$ 57,541	\$ 947	\$ 1,205	\$ 14,152	\$ 28,762	\$ 19,299	\$ -	\$ 20,781	\$ 142,687

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

**Note 18. Expenses by Both Nature and Function (Continued)**

Functional expenses by natural classification as of June 30, 2018:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation & Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 28,038	\$ 180	\$ 49	\$ 661	\$ -	\$ -	\$ -	\$ -	\$ 28,928
Staff salaries and wages	3,664	57	238	3,510	10,859	10,624	5,070	174	34,196
Employee benefits	9,857	31	28	1,255	3,235	3,306	1,658	58	19,428
Utilities, alterations and repairs	57	-	48	20	378	164	4,574	1,658	6,899
Insurance	156	-	-	35	297	915	39	203	1,645
Employee development and travel	1,519	19	31	496	1,947	306	221	11	4,550
Supplies and services	6,087	284	705	5,368	7,570	1,564	914	5,828	28,320
Depreciation	-	-	-	-	-	-	9,496	726	10,222
Interest	-	-	-	-	11	-	1,633	1,224	2,868
	49,378	571	1,099	11,345	24,297	16,879	23,605	9,882	137,056
Facilities operation and maintenance	6,377	-	292	2,670	2,880	1,489	(23,605)	9,897	-
Total expenses	\$ 55,755	\$ 571	\$ 1,391	\$ 14,015	\$ 27,177	\$ 18,368	\$ -	\$ 19,779	\$ 137,056

**Stetson University, Inc.**

**Notes to Consolidated Financial Statements  
(Dollars in Thousands)**

---

**Note 19. 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 10, 2019, (the date of the issuance of the accompanying consolidated financial statements) and have determined that their effects do not require disclosure.

**Note 20. Commitments and Contingencies**

**Contract commitments:** The University has multiple construction contracts outstanding for various construction contracts. Contract commitments outstanding at June 30, 2019, totaled approximately \$6,000, of which approximately \$5,750 was completed, leaving an outstanding commitment of approximately \$250.

**Contingencies:** The University is party to certain litigation as of June 30, 2019 and 2018, 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 consolidated financial position of the University.

## **Supplementary Information**

**Stetson University, Inc.**

**Supplementary Disaggregated Consolidated Statement of Financial Position  
June 30, 2019  
(In Thousands)**

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
<b>Assets</b>					
Cash and cash equivalents	\$ 25,123	\$ -	\$ 805	\$ 18	\$ 25,946
Short-term investments	2,873	-	-	-	2,873
Notes and account receivable – net	4,903	5,203	398	179	10,683
Pledges receivable – net	3,859	-	6,688	5,386	15,933
Investments	861	-	245,413	18,569	264,843
Funds held in trust by others	-	-	9,194	-	9,194
Property, plant and equipment, net	683	-	-	203,098	203,781
Other assets	3,802	-	-	1	3,803
Investment in affiliated entity	-	-	4,484	-	4,484
<b>Total assets</b>	<b>\$ 42,104</b>	<b>\$ 5,203</b>	<b>\$ 266,982</b>	<b>\$ 227,251</b>	<b>\$ 541,540</b>
<b>Liabilities and net assets</b>					
Liabilities:					
Accounts payable	\$ 3,654	\$ -	\$ 123	\$ 715	\$ 4,492
Accrued liabilities	8,199	-	-	376	8,575
Student deposits and other current liabilities	11,900	-	-	-	11,900
Postretirement benefits	5,669	-	-	-	5,669
Refundable government loan funds	-	5,546	-	-	5,546
Annuities payable	-	-	2,110	-	2,110
Long-term debt	-	-	-	105,209	105,209
Due to (from) other funds	(1,291)	(726)	(3,265)	5,282	-
<b>Total liabilities</b>	<b>28,131</b>	<b>4,820</b>	<b>(1,032)</b>	<b>111,582</b>	<b>143,501</b>
Net assets:					
Without donor restrictions	(92)	383	71,984	86,492	158,767
With donor restrictions	14,065	-	196,030	29,177	239,272
<b>Total net assets</b>	<b>13,973</b>	<b>383</b>	<b>268,014</b>	<b>115,669</b>	<b>398,039</b>
<b>Total liabilities and net assets</b>	<b>\$ 42,104</b>	<b>\$ 5,203</b>	<b>\$ 266,982</b>	<b>\$ 227,251</b>	<b>\$ 541,540</b>