

Stetson University, Inc.

Financial Report
June 30, 2020

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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, 2020 and 2019, 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, 2020 and 2019, 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 statements of financial position are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying supplementary disaggregated consolidated statements of financial position are the responsibility of management and were 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
September 29, 2020

Stetson University, Inc.

Consolidated Statements of Financial Position

June 30, 2020 and 2019

(In Thousands)

	2020	2019
Assets		
Cash and cash equivalents	\$ 26,660	\$ 25,946
Short-term investments	26,860	2,873
Notes and accounts receivable, net	10,043	10,683
Pledges receivable, net	10,554	15,933
Investments	301,907	264,843
Funds held in trust by others	9,032	9,194
Property, plant and equipment, net	194,962	203,781
Other assets	4,148	3,803
Investment in affiliated entity	4,605	4,484
Total assets	\$ 588,771	\$ 541,540
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 4,670	\$ 4,492
Accrued liabilities	9,467	8,575
Student deposits and other current liabilities	10,680	11,900
Postretirement benefits	5,628	5,669
Refundable government loan funds	4,635	5,546
Annuities payable	2,007	2,110
Long-term debt	147,588	105,209
Total liabilities	184,675	143,501
Commitments and contingencies (Notes 19 and 21)		
Net assets:		
Without donor restrictions	163,163	158,767
With donor restrictions	240,933	239,272
Total net assets	404,096	398,039
Total liabilities and net assets	\$ 588,771	\$ 541,540

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities Year Ended June 30, 2020 (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 \$100,437)	\$ 90,874	\$ -	\$ 90,874
Contributions	593	4,437	5,030
Income and realized gains on investments – net of fees	647	-	647
Endowment income used in operations	3,724	8,292	12,016
Sales of educational services	1,759	-	1,759
Sales and services of auxiliary enterprises	27,085	-	27,085
Government grants	3,710	-	3,710
Other	2,649	25	2,674
Unrealized gain on investments	156	-	156
Net assets released from restrictions	12,013	(12,013)	-
Total operating revenues, gains (losses) and other support	143,210	741	143,951
Operating expenses:			
Educational and general:			
Instruction	53,876	-	53,876
Research	820	-	820
Public service	1,487	-	1,487
Academic support	14,494	-	14,494
Student services	28,346	-	28,346
Institutional support	20,470	-	20,470
Total education and general	119,493	-	119,493
Auxiliary enterprises	21,538	-	21,538
Total operating expenses	141,031	-	141,031
Change in net assets from operations	2,179	741	2,920
Nonoperating activities:			
Contributions for non-operating activities	-	1,925	1,925
Funds held in trust by others	-	133	133
Income and realized gains on investments – net of fees	4,002	8,282	12,284
Endowment income used in operations	(3,724)	(8,292)	(12,016)
Net unrealized gains from investments	319	1,570	1,889
Change in value of split interest agreements	-	(97)	(97)
Postretirement changes other than service costs	134	-	134
Other	(1,143)	(93)	(1,236)
Net assets released from restrictions	2,629	(2,629)	-
Increase in investment in affiliated entity	-	121	121
Change in net assets from non-operating activities	2,217	920	3,137
Change in net assets	4,396	1,661	6,057
Net assets:			
Beginning of period	158,767	239,272	398,039
End of period	\$ 163,163	\$ 240,933	\$ 404,096

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	546	-	546
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 loss on investments	122	-	122
Net assets released from restrictions	12,206	(12,206)	-
Total operating revenues, gains (losses) and other support	143,317	369	143,686
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
Total education and general	121,906	-	121,906
Auxiliary enterprises	20,781	-	20,781
Total operating expenses	142,687	-	142,687
Change in net assets from operations	630	369	999
Nonoperating activities:			
Contributions for non-operating activities	-	10,039	10,039
Funds held in trust by others	-	415	415
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
Change in net assets from non-operating activities	7,204	10,424	17,628
Change in net assets	7,834	10,793	18,627
Net assets:			
Beginning of period	150,933	228,479	379,412
End of period	\$ 158,767	\$ 239,272	\$ 398,039

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2020 and 2019
(In Thousands)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 6,057	\$ 18,627
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	(6,293)	(8,636)
Depreciation and amortization	11,238	10,988
(Gain) loss on disposal of property, plant and equipment	549	104
Income and net realized gains from long-term investments	(12,284)	(13,088)
Net unrealized gains from long-term investments	(1,889)	(3,629)
Amortization of bond premium and issuance costs	(677)	(735)
Change in value of split-interest agreements	51	77
Change in investment in affiliated entity	(121)	(159)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Notes and accounts receivable, net	(229)	2,136
Pledges receivable, net	5,379	(1,411)
Funds held in trust by others	162	(159)
Other assets	(345)	279
(Decrease) increase in liabilities:		
Accounts payable	407	453
Accrued liabilities	892	169
Student deposits and other current liabilities	(1,220)	(594)
Postretirement benefits	(41)	(777)
Net cash provided by operating activities	1,636	3,645
Cash flows from investing activities:		
Purchases of property, plant and equipment	(6,936)	(17,584)
Proceeds from sales of property, plant and equipment	3,739	12
Proceeds from student loan collections	869	849
Purchases of investments	(289,021)	(198,633)
Proceeds from maturities and sales of investments	242,214	211,028
Net cash used in investing activities	(49,135)	(4,328)
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	5,008	4,231
Investment in plant and other	1,274	4,378
Investment in annuity agreements, net	25	59
	6,307	8,668

(Continued)

Stetson University, Inc.

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2020 and 2019
(In Thousands)

	2020	2019
Other financing activities:		
(Decrease) increase in federal student loan funds	\$ (911)	\$ 104
Proceeds from long-term debt	52,505	4,230
Payments on long-term debt	(9,449)	(1,778)
Payments on annuities payable	(239)	(238)
	<u>41,906</u>	<u>2,318</u>
Net cash provided by financing activities	<u>48,213</u>	<u>10,986</u>
Net change in cash and cash equivalents	714	10,303
Cash and cash equivalents:		
Beginning	<u>25,946</u>	15,643
Ending	<u>\$ 26,660</u>	<u>\$ 25,946</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 5,755</u>	<u>\$ 4,806</u>
Supplemental disclosures of noncash investing and financing activities:		
Capital expenditures included in accounts payable and accrued expenses	<u>\$ 487</u>	<u>\$ 715</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 three separate campuses at the following locations:

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

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 Subsidiary), in which the University is the sole member. GSH Investments has acquired additional property, which is owned by the Subsidiary, 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. Included in short-term investments is \$19,179 from the proceeds of the Stetson University Taxable Revenue Bonds Series 2019. These funds have no restrictions on their use. See Note 8 for further details.

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, 2020 and 2019, 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 \$301,907 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2020, \$2,672 represents split-interest agreements, and the associated liabilities total \$2,007. Of the \$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.

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.

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, 2020 and 2019, 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 \$748 and \$711 for the years ended June 30, 2020 and 2019, 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 \$4,708 and \$4,541 for the years ended June 30, 2020 and 2019, 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 issued accounting pronouncement: In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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 consolidated statements of activities. 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

	2020	2019
Student accounts receivable (net of allowance of \$457 in 2020 and \$452 in 2019)	\$ 2,020	\$ 2,272
Student loans receivable (net of allowance of \$1,092 in 2020 and \$1,297 in 2019)	3,820	4,600
Grants receivable	2,656	1,510
Accrued interest receivable	947	1,083
Estate bequests	50	103
Other receivables	550	1,115
	<u>\$ 10,043</u>	<u>\$ 10,683</u>

At June 30, student loans consisted of the following:

	2020	2019
Federal Perkins Loan program	\$ 4,736	\$ 5,619
Institutional programs	176	278
	<u>4,912</u>	<u>5,897</u>
Less allowance for doubtful accounts:		
Beginning of year	(1,297)	(1,380)
Adjustments	177	59
Write-offs	28	24
End of year	<u>(1,092)</u>	<u>(1,297)</u>
Student loans receivable, net	<u>\$ 3,820</u>	<u>\$ 4,600</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 \$4,635 and \$5,546 at June 30, 2020 and 2019, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements 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.

The Federal Perkins Loan Program expired September 30, 2017, and fiscal year 2018 was the last year that the University could award Perkins loans based on action established by the Department of Education. Accordingly, the University did not award any Perkins loans in fiscal year 2020 and 2019. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education. The liquidation will likely involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins cash assets to the Department of Education. Until liquidation is complete, the University is required to return the federal share of collections from students on an annual basis. Funds returned to the government from student collections amounted to \$1,022 and \$0 in FY 2020 and FY 2019, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Notes and Accounts Receivable (Continued)

At June 30, 2020 and 2019, 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
2020	\$ 7	\$ 3	\$ 1,346	\$ 1,356
2019	8	1	1,456	1,465

Note 3. Pledges Receivable

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

	2020	2019
One year or less	\$ 4,144	\$ 6,867
Between one year and five years	3,858	6,022
More than five years	5,967	6,282
	<u>13,969</u>	<u>19,171</u>
Less discount	(1,336)	(1,657)
Less allowance	(2,079)	(1,581)
	<u>\$ 10,554</u>	<u>\$ 15,933</u>

The discount rate used for contributions receivable in 2020 and 2019, ranged from 0.28% to 3.05%.

Pledges receivable are classified as follows:

	2020	2019
Contributions to be held in perpetuity	\$ 2,501	\$ 6,688
Contributions restricted by time or purpose	8,053	9,245
	<u>\$ 10,554</u>	<u>\$ 15,933</u>

70% of the University's pledges receivable at June 30, 2020 and 2019, were provided by 11 and 10 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, 2020 and 2019, of \$1,375 and \$1,964, respectively.

Stetson University, Inc.

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

Note 4. Investments

A summary of investments by type is as follows:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 1,171	\$ 1,171	\$ 4,188	\$ 4,188
Equity securities	8,623	19,503	7,697	16,811
Equity mutual funds	121,015	167,237	91,768	136,864
Fixed income securities	33,854	34,559	46,159	46,750
Fixed income mutual funds	21,883	20,912	13,704	13,741
Alternative investments	53,328	57,783	40,939	45,777
Other investments	1,290	742	1,273	712
Total	<u>\$ 241,164</u>	<u>\$ 301,907</u>	<u>\$ 205,728</u>	<u>\$ 264,843</u>

Income and net realized gains (losses) on investments for the year ended June 30, 2020, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<u>By source of earnings:</u>			
Income on endowment funds	\$ 1,641	\$ 4,033	\$ 5,674
Other investment income	1,061	-	1,061
Net realized gains on endowment funds	1,755	4,249	6,004
Net realized gains (losses) on other investment income	192	-	192
	<u>\$ 4,649</u>	<u>\$ 8,282</u>	<u>\$ 12,931</u>
<u>By operating and non-operating:</u>			
Income and realized gains on investments – net from operating activity	\$ 647	\$ -	\$ 647
Income and realized gains on investments – net from non-operating activities	4,002	8,282	12,284
	<u>\$ 4,649</u>	<u>\$ 8,282</u>	<u>\$ 12,931</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	881	-	881
Net realized gains on endowment funds	2,288	5,362	7,650
Net realized gains (losses) on other investment income	-	(9)	(9)
	<u>\$ 4,512</u>	<u>\$ 9,122</u>	<u>\$ 13,634</u>

By operating and non-operating:

Income and realized gains on investments – net from operating activity	\$ 546	\$ -	\$ 546
Income and realized gains on investments – net from non-operating activities	3,966	9,122	13,088
	<u>\$ 4,512</u>	<u>\$ 9,122</u>	<u>\$ 13,634</u>

Investment income is net of management fees and expenses of \$917 and \$862 for the years ended June 30, 2020 and 2019, respectively.

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

	Year Ended June 30, 2020			
	Cost	Market Value	Net Gain	Market Value Per Share
End of period	\$ 234,017	\$ 294,192	\$ 60,175	\$ 14.70
Beginning of period	180,514	238,890	<u>58,376</u>	14.35
Net change in unrealized appreciation for the period			1,799	
Net realized gain for the period			<u>5,464</u>	
Total net gain			<u>\$ 7,263</u>	
	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>	

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 4. Investments (Continued)

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2020 and 2019, the earnings were \$5,734 and \$5,237, respectively, or \$0.29 and \$0.31 per share, respectively, as computed on ending shares.

Note 5. Endowment

The University's endowment consists of 633 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.

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.

Stetson University, Inc.

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

Note 5. Endowment (Continued)

Endowment net assets were comprised of the following as of June 30, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 97,991	\$ 405	\$ 98,396
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	161,234	161,234
Accumulated investment gains	-	38,745	38,745
	<u>\$ 97,991</u>	<u>\$ 200,384</u>	<u>\$ 298,375</u>

Endowment net assets were composed 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>

Changes to endowment net assets for the fiscal year ended June 30, 2020, 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	\$ 72,352	\$ 137,631	\$ 37,454	\$ 175,085	\$ 247,437
Investment return:					
Investment income	1,775	-	4,062	4,062	5,837
Realized gain	1,754	-	4,249	4,249	6,003
Unrealized gain	81	-	1,570	1,570	1,651
Total investment gain	3,610	-	9,881	9,881	13,491
Contributions	-	4,969	-	4,969	4,969
Distributed earnings	(3,724)	-	(8,292)	(8,292)	(12,016)
Other changes:					
Transfers to create board-designated funds	25,409	-	729	729	26,138
Transfer due to change in donor restrictions	-	18,634	-	18,634	18,634
Other endowment activity	344	-	(622)	(622)	(278)
Endowment net assets, end of year	<u>\$ 97,991</u>	<u>\$ 161,234</u>	<u>\$ 39,150</u>	<u>\$ 200,384</u>	<u>\$ 298,375</u>

Stetson University, Inc.

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

Note 5. Endowment (Continued)

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, at end of year	\$ 72,352	\$ 137,631	\$ 37,454	\$ 175,085	\$ 247,437

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, 2020 and 2019, amount to \$2,501 and \$6,688, respectively, (see Note 3). Endowed net assets attributable to funds held in trust by others as of June 30, 2020 and 2019, amount to \$7,575 and \$7,798, respectively (see Note 6). Net assets with donor restrictions attributable to investments in affiliated entity as of June 30, 2020 and 2019, amount to \$4,605 and \$4,484, 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, 2020, deficiencies of this nature exist in 22 donor-restricted endowment funds, which together have an original gift value of \$26,896, a current fair value of \$25,068, and a deficiency of \$1,828. 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. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

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.

Stetson University, Inc.

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

Note 5. Endowment (Continued)

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 2020 and 2019, 4.7% and 4.8% were 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 \$691 and \$312 from underwater endowment funds during 2020 and 2019, respectively.

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, 2020 and 2019, amounted to \$9,032 and \$9,194, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to \$1,457 and \$1,396 at June 30, 2020 and 2019, respectively.

Note 7. Property, Plant and Equipment

Property, plant and equipment are summarized as follows:

	2020	2019
Land	\$ 8,816	\$ 9,309
Land improvements, building and facilities	280,939	273,523
Furniture and equipment	35,533	35,231
Library books and collections	29,243	28,893
Construction-in-progress	3,245	11,802
	<u>357,776</u>	<u>358,758</u>
Less accumulated depreciation and amortization	(162,814)	(154,977)
	<u>\$ 194,962</u>	<u>\$ 203,781</u>

Depreciation expense relating to property, plant and equipment was \$11,238 and \$10,988 for the years ended June 30, 2020 and 2019, respectively.

Interest capitalized during the years ended June 30, 2020 and 2019, was \$26 and \$387, respectively.

Stetson University, Inc.**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 7. Property, Plant and Equipment (Continued)**

Construction-in-progress (CIP) at June 30, 2020 and 2019, consists of the following:

	2020	2019
Edinger Golf Complex	1,267	590
Nemec Hall Renovation	815	-
Sandra Stetson Aquatic Center	-	8,040
Stetson Hillel House	-	954
Edmunds Center Upgrade	-	516
Other projects	1,163	1,702
	<u>\$ 3,245</u>	<u>\$ 11,802</u>

Estimated costs to complete these projects at June 30, 2020 and 2019, amount to \$2,429 and \$2,885, respectively.

The University recognized \$2,204 and \$2,160 for rental income on various facilities during the years ended June 30, 2020 and 2019, respectively.

Note 8. Long-Term Debt

Long-term debt consists of the following:

Stetson University Taxable Revenue Bonds of 2019 – payable in annual interest payments of \$2,170 through 2059, including a principal balloon payment at maturity of \$53,000 and semiannual interest amounts at a fixed rate of 4.094%.	\$ 53,000	\$ -
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%.	88,400	90,165
	<u>141,400</u>	<u>90,165</u>
Other notes payable	138	7,821
	<u>141,538</u>	<u>97,986</u>
Debt issuance costs	(1,085)	(651)
Unamortized premium on bonds payable	7,135	7,874
	<u>\$ 147,588</u>	<u>\$ 105,209</u>

Stetson University, Inc.**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 8. Long-Term Debt (Continued)**

As of June 30, 2020, 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 has been no use of this revolving line of credit since its inception in November of 2018.

Required reductions of long-term debt for the fiscal years following 2020, are as follows:

	Principal			Interest	Total Debt Service
	Bonds	Other	Total		
Years ending June 30:					
2021	\$ 1,855	\$ 138	\$ 1,993	\$ 6,590	\$ 8,583
2022	1,945	-	1,945	6,497	8,442
2023	2,040	-	2,040	6,400	8,440
2024	2,145	-	2,145	6,298	8,443
2025	2,250	-	2,250	6,190	8,440
Thereafter	131,165	-	131,165	119,970	251,135
	<u>\$ 141,400</u>	<u>\$ 138</u>	<u>\$ 141,538</u>	<u>\$ 151,945</u>	<u>\$ 293,483</u>

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. The note was paid in full in 2020. As of June 30, 2020, and 2019, \$0 and \$7,024, respectively, is due including issuance costs.

During fiscal year 2020, the University entered into the Stetson University Taxable Revenue Bonds of 2019, the proceeds of which are not restricted for a specific use.

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:	
2021	\$ 358
2022	228
2023	186
2024	92
2025	65
Thereafter	457
Minimum future rental payments	<u>\$ 1,386</u>

Rent expense incurred under operating leases and other short-term rental agreements amounted to \$1,393 and \$1,423 for the years ended June 30, 2020 and 2019, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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, 2020 and 2019, amounted to \$5,245 and \$5,250, 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.

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.

	2020	2019
Change in accumulated postretirement benefit obligation:		
Benefit obligation at beginning of year	\$ 5,669	\$ 6,446
Service cost	93	122
Interest cost	174	249
Plan participants' contributions	383	395
Actuarial loss/(gain)	228	(557)
Plan amendment	(62)	(239)
Benefit payments	(857)	(747)
Benefit obligation at end of year	<u>\$ 5,628</u>	<u>\$ 5,669</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ -	\$ -
University contributions	474	352
Plan participants' contributions	383	395
Benefits paid	(857)	(747)
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)

	2020	2019
Funded status of the Plan:		
Funded status at end of year	\$ (5,628)	\$ (5,669)
Unrecognized actuarial loss	-	-
Unrecognized prior service cost	-	-
Net accrued benefit liability	<u>\$ (5,628)</u>	<u>\$ (5,669)</u>
Amounts recognized in the consolidated statements of financial position:		
Postretirement benefit liability	<u>\$ 5,628</u>	<u>\$ 5,669</u>
Net amount recognized	<u>\$ 5,628</u>	<u>\$ 5,669</u>
Amounts recognized in the consolidated statements of activities:		
Net loss	<u>\$ 2,200</u>	<u>\$ 2,098</u>
Assumptions as of the end of the year:		
Discount rate	2.17%	3.13%
Expected return on assets	N/A	N/A
Rate of compensation increases	N/A	N/A
Accumulated Postretirement Benefit Obligation (APBO):		
Active employees	\$ 1,071	\$ 1,015
Retirees	4,557	4,654
Total APBO	<u>5,628</u>	<u>5,669</u>
Unrecognized gain (loss)	-	-
Accrued postretirement benefit liability	<u>\$ 5,628</u>	<u>\$ 5,669</u>
	2020	2019
Net periodic postretirement benefit cost:		
Service costs (benefits earned during the period)	\$ 93	\$ 122
Interest cost (on accumulated postretirement benefit obligation)	174	249
Amortization of prior service cost (credit)	(62)	-
Recognized net actuarial loss	126	175
Net periodic postretirement benefit costs	<u>\$ 331</u>	<u>\$ 546</u>

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, 2020. The rate was assumed to decrease by 0.25% per year until 2028 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, 2020:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total service and interest cost	\$ 29	\$ (25)
Effect on end of year postretirement benefit obligation	551	(468)

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:		
2021		\$ 327
2022		338
2023		351
2024		352
2025		354
2026-2030		1,725

Note 11. Related-Party Transactions

During the 2020 and 2019 fiscal years, the University paid \$2,066 and \$1,765, 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, 2020 and 2019. During fiscal years 2020 and 2019, the University paid \$35 and \$84, respectively, to a firm for which a trustee is a Managing Director for consulting services and software license fees. In addition, during fiscal years 2020 and 2019, the University paid \$32 and \$107, 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, 2020 and 2019, was \$121 and \$159, respectively. The University's interest in the net assets for the Foundation as of June 30, 2020 and 2019, amounted to \$4,605 and \$4,484, respectively.

Note 13. Net Assets with Donor Restrictions

Net Assets with donor restrictions were comprised of the following at June 30, 2020 and 2019:

	Restricted by Purpose and/or Time	Held in Perpetuity	Total
June 30, 2020:			
Scholarships	\$ 21,112	\$ 73,377	\$ 94,489
Programs	32,755	97,072	129,827
Capital	3,940	-	3,940
Trusts and annuities – time restricted	1,951	172	2,123
Pledges	8,053	2,501	10,554
	<u>\$ 67,811</u>	<u>\$ 173,122</u>	<u>\$ 240,933</u>
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>

Net assets released from restrictions in the years ended June 30, 2020 and 2019, are comprised of \$12,013 and \$12,206, respectively, due to satisfaction of program restrictions and scholarship awards, and \$2,629 and \$4,610, respectively, due to acquisition of capital assets that were placed in service.

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 Net Asset Value (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, 2020:

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	26,860	26,860	-	-
Short-term investments total	<u>\$ 26,860</u>	<u>\$ 26,860</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	<u>\$ 9,032</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,032</u>
Investments:				
Money market funds	\$ 1,171	\$ 1,171	\$ -	\$ -
Equity securities:				
U.S. large cap	1,645	1,645	-	-
U.S. mid/small cap	15,960	15,960	-	-
International developed	1,897	1,897	-	-
Unit Investment trusts	-	-	-	-
Equity mutual funds:				
U.S. large cap	136,305	136,305	-	-
U.S. mid/small cap	394	394	-	-
International developed	30,173	30,173	-	-
Emerging markets	174	174	-	-
Multi-strategy	191	191	-	-
Fixed income securities:				
U.S. Government	13,501	-	13,501	-
Corporate	21,057	-	21,057	-
Global fixed	2	-	2	-
Fixed income mutual funds:				
U.S. Government	189	189	-	-
Corporate	126	126	-	-
Multi-strategy	20,596	20,596	-	-
Global fixed	1	1	-	-
Other investments	742	209	533	-
Fair value hierarchy total	<u>244,124</u>	<u>\$ 209,031</u>	<u>\$ 35,093</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	29,169			
Private equity funds	12,911			
Emerging market funds	8,317			
Private equity fund of funds	7,386			
Investments total	<u>\$ 301,907</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, 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	<u>\$ 9,194</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,194</u>
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 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, 2020 and 2019:

	2020	2019
Balance, at beginning of year	\$ 9,194	\$ 9,035
Actuarial and present value adjustments	(162)	159
Balance, at end of year	<u>\$ 9,032</u>	<u>\$ 9,194</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, 2020	Fair Value June 30, 2019	Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments
Hedge fund of funds ^(a)	\$ 15,516	\$ 11,638	Semi-annual	95 days	\$ -
Hedge fund of funds ^(b)	13,653	12,144	Quarterly	100 days	-
Private equity funds ^(c)	4,804	5,763	Quarterly	60 days	-
Private equity funds ^(d)	8,107	7,639	Quarterly	90 days	-
Emerging markets funds ^(e)	8,317	3,132	Twice Monthly	15 days	-
Private equity fund of funds ^(f)	4,289	4,046	Not Eligible	Not Eligible	6,410
Private equity fund of funds ^(g)	3,097	1,415	Not Eligible	Not Eligible	12,020

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.
- b. This class incorporates strategies with relative value, arbitrage, global macro, long-short equity, event driven and distressed and credit securities.
- c. 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.
- 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.
- e. This class invests primarily in common 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.
- f. 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.
- g. 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 U.S. small to mid-market buyout private equity.

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, 2020 and 2019, 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, 2020 and 2019, is as follows:

	2020	2019
Undergraduate (net of scholarships and fellowships of \$87,220 in 2020 and \$82,191 in 2019)	\$ 58,884	\$ 57,340
College of Law (net of scholarships and fellowships of \$12,312 in 2020 and \$11,070 in 2019)	26,755	26,565
Graduate (net of scholarships and fellowships of \$905 in 2020 and \$894 in 2019)	5,235	4,626
Total tuition and fees (net of scholarships and fellowships of \$100,437 in 2020 and \$94,155 in 2019)	<u>\$ 90,874</u>	<u>\$ 88,531</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:

	2020	2019
Residence halls	\$ 17,987	\$ 17,255
Dining services	7,949	8,811
Bookstore commissions	303	241
Other	846	911
Total sales and services of auxiliary enterprises	<u>\$ 27,085</u>	<u>\$ 27,218</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, 2020, 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 \$98,395 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>2020</u>
Financial assets:	
Cash and cash equivalents	\$ 26,660
Short-term investments	26,860
Notes, accounts and pledges receivable	20,597
Investments	301,907
Funds held in trust by others	<u>9,032</u>
Financial assets, at year-end	385,056
Less those unavailable for general expenditure within one year, due to:	
Reserved for self funded benefit plan	(1,294)
Proceeds from issuance of bonds, held for long-term investment	(19,179)
Pledges for the endowment	(2,501)
Other pledges and accounts receivable collectible beyond one year	(9,795)
Perpetual and term endowments and accumulated earnings	(199,971)
Investments held in trust	(3,506)
Investments in board designated endowments	(98,395)
Investments and perpetual trusts held by others	<u>(9,032)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,383</u>

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, 2020:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation & Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 27,954	\$ 223	\$ 23	\$ 770	\$ -	\$ -	\$ -	\$ -	\$ 28,970
Staff salaries and wages	3,379	78	201	3,536	11,173	11,518	5,210	189	35,284
Employee benefits	10,640	60	22	1,369	3,807	3,643	1,832	66	21,439
Utilities, alterations and repairs	46	38	-	19	299	136	4,995	1,531	7,064
Insurance	178	-	4	42	314	1,062	1	222	1,823
Employee development and travel	1,051	20	12	389	1,594	202	18	8	3,294
Supplies and services	3,140	401	900	5,259	7,464	2,197	1,772	5,572	26,705
Depreciation	-	-	-	-	-	-	10,527	711	11,238
Interest	-	-	-	-	3	-	4,014	1,197	5,214
	46,388	820	1,162	11,384	24,654	18,758	28,369	9,496	141,031
Facilities operation and maintenance	7,488	-	325	3,110	3,692	1,712	(28,369)	12,042	-
Total expenses	\$ 53,876	\$ 820	\$ 1,487	\$ 14,494	\$ 28,346	\$ 20,470	\$ -	\$ 21,538	\$ 141,031

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, 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 19. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a “Public Health Emergency of International Concern” and on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the University operates. On March 27, 2020, the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic.

As part of the CARES Act, \$14 billion was provided to the Office of Postsecondary Education for the creation of the Higher Education Emergency Relief Fund (HEERF). HEERF provides funding to institutions for emergency financial aid grants to students as well as funding to support the costs of shifting classes online and other institutional costs incurred related to the pandemic.

Under the provisions of the CARES Act, no less than 50% of HEERF funds received by an institution must be used to provide emergency financial aid to students. The University received total funds of \$2,127 in aid under the provisions of the CARES Act.

It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the University.

Note 20. 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 September 29, 2020, (the date of the issuance of the accompanying consolidated financial statements) and have determined that their effects do not require disclosure.

Note 21. Commitments and Contingencies

Contract commitments: The University has multiple construction contracts outstanding for various construction contracts. Contract commitments outstanding at June 30, 2020, totaled \$1,972, of which \$988 was completed, leaving an outstanding commitment of \$984.

Contingencies: The University is party to certain litigation as of June 30, 2020 and 2019, 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, 2020

(In Thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
Assets					
Cash and cash equivalents	\$ 26,045	\$ -	\$ 614	\$ 1	\$ 26,660
Short-term investments	7,681	-	-	19,179	26,860
Notes and account receivable, net	5,261	4,403	364	15	10,043
Pledges receivable, net	3,366	-	2,501	4,687	10,554
Investments	916	-	300,907	84	301,907
Funds held in trust by others	-	-	9,032	-	9,032
Property, plant and equipment, net	1,164	-	-	193,798	194,962
Other assets	4,148	-	-	-	4,148
Investment in affiliated entity	-	-	4,605	-	4,605
Total assets	\$ 48,581	\$ 4,403	\$ 318,023	\$ 217,764	\$ 588,771
Liabilities and net assets					
Liabilities:					
Accounts payable	\$ 4,060	\$ -	\$ 123	\$ 487	\$ 4,670
Accrued liabilities	8,918	-	-	549	9,467
Student deposits and other current liabilities	10,680	-	-	-	10,680
Postretirement benefits	5,628	-	-	-	5,628
Refundable government loan funds	-	4,635	-	-	4,635
Annuities payable	-	-	2,007	-	2,007
Long-term debt	-	-	-	147,588	147,588
Due to (from) other funds	1,795	(489)	(831)	(475)	-
Total liabilities	31,081	4,146	1,299	148,149	184,675
Net assets:					
Without donor restrictions	2,391	257	99,527	60,988	163,163
With donor restrictions	15,109	-	217,197	8,627	240,933
Total net assets	17,500	257	316,724	69,615	404,096
Total liabilities and net assets	\$ 48,581	\$ 4,403	\$ 318,023	\$ 217,764	\$ 588,771

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
Assets					
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
Total assets	\$ 42,104	\$ 5,203	\$ 266,982	\$ 227,251	\$ 541,540
Liabilities and net assets					
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	-
Total liabilities	28,131	4,820	(1,032)	111,582	143,501
Net assets:					
Without donor restrictions	(92)	383	71,984	86,492	158,767
With donor restrictions	14,065	-	196,030	29,177	239,272
Total net assets	13,973	383	268,014	115,669	398,039
Total liabilities and net assets	\$ 42,104	\$ 5,203	\$ 266,982	\$ 227,251	\$ 541,540