

Stetson University, Inc.

Consolidated Financial Report
June 30, 2024

Contents

Independent auditor's report	1-3
Financial statements	
Consolidated statements of financial position	4
Consolidated statements of activities	5-6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	8-43
Supplementary information	
Supplementary disaggregated consolidated statements of financial position	44-45
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	46-47

Independent Auditor's Report

Board of Trustees
Stetson University, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Stetson University, Inc. (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Supplementary Information

Our audits were 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 financial statements. Such information 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. The 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 GAAS. In our opinion, the identified accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RSM US LLP

Orlando, Florida
December 17, 2024

Stetson University, Inc.

Consolidated Statements of Financial Position
June 30, 2024 and 2023
(In Thousands)

	2024	2023
Assets		
Cash and cash equivalents	\$ 18,291	\$ 7,967
Restricted cash and cash equivalents	61,089	-
Short-term investments	15,724	19,778
Accounts, notes and other receivables, net allowance for credit losses	11,126	24,541
Contributions receivable, net	7,928	7,581
Investments	377,652	364,854
Funds held in trust by others	9,147	8,698
Property, plant and equipment, net	225,975	216,176
Other assets	8,475	8,904
Beneficial interest in affiliated entity (Note 12)	5,610	5,248
Total assets	\$ 741,017	\$ 663,747
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 11,989	\$ 6,238
Accrued liabilities	8,852	8,531
Student deposits and other liabilities	11,811	13,026
Postretirement benefits	3,526	3,711
Refundable government loan funds	939	1,743
Annuities payable	1,632	1,397
Long-term debt	203,559	140,021
Total liabilities	242,308	174,667
Commitments and contingencies (Note 20)		
Net assets:		
Without donor restrictions	177,690	179,650
With donor restrictions	321,019	309,430
Total net assets	498,709	489,080
Total liabilities and net assets	\$ 741,017	\$ 663,747

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities

Year Ended June 30, 2024

(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains (losses) and other support:			
Tuition and fees (net of scholarships and fellowships of \$108,331)	\$ 66,585	\$ -	\$ 66,585
Contributions of cash and other financial assets	585	7,492	8,077
Contributions of nonfinancial assets	-	1,087	1,087
Income and realized gains on investments—net of fees	1,250	-	1,250
Endowment income used in operations	7,849	15,404	23,253
Sales of educational services	1,546	-	1,546
Sales and services of auxiliary enterprises	27,456	-	27,456
Government grants	3,020	-	3,020
Other	4,207	(57)	4,150
Unrealized gain on investments	301	-	301
Net assets released from restrictions	29,934	(29,934)	-
Total operating revenues, gains (losses) and other support	142,733	(6,008)	136,725
Operating expenses:			
Educational and general:			
Instruction	56,971	-	56,971
Research	2,471	-	2,471
Public service	1,439	-	1,439
Academic support	15,578	-	15,578
Student services	33,935	-	33,935
Institutional support	22,094	-	22,094
Total education and general	132,488	-	132,488
Auxiliary enterprises	24,710	-	24,710
Total operating expenses	157,198	-	157,198
Change in net assets from operations	(14,465)	(6,008)	(20,473)
Nonoperating activities:			
Contributions of cash and other financial assets	-	9,743	9,743
Funds held in trust by others	-	715	715
Income and realized gains on investments—net of fees	4,759	11,138	15,897
Endowment income used in operations	(7,849)	(15,404)	(23,253)
Net unrealized gain from investments	7,533	17,098	24,631
Change in value of split-interest agreements	-	(19)	(19)
Postretirement changes other than service costs	261	-	261
Other	(4)	1,769	1,765
Net assets released from restrictions	7,805	(7,805)	-
Change in beneficial interest in affiliated entity	-	362	362
Change in net assets from non-operating activities	12,505	17,597	30,102
Change in net assets	(1,960)	11,589	9,629
Net assets:			
Beginning	179,650	309,430	489,080
Ending	\$ 177,690	\$ 321,019	\$ 498,709

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities Year Ended June 30, 2023 (In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains (losses) and other support:			
Tuition and fees (net of scholarships and fellowships of \$105,738)	\$ 72,128	\$ -	\$ 72,128
Contributions of cash and other financial assets	1,831	16,885	18,716
Contributions of nonfinancial assets	-	40	40
Income and realized gains (losses) on investments—net of fees	1,129	(2)	1,127
Endowment income used in operations	6,469	12,413	18,882
Sales of educational services	1,836	-	1,836
Sales and services of auxiliary enterprises	25,537	-	25,537
Government grants	2,769	-	2,769
Other	3,290	(70)	3,220
Unrealized loss on investments	(313)	-	(313)
Net assets released from restrictions	23,622	(23,622)	-
Total operating revenues, gains (losses) and other support	138,298	5,644	143,942
Operating expenses:			
Educational and general:			
Instruction	54,558	-	54,558
Research	1,457	-	1,457
Public service	1,536	-	1,536
Academic support	15,292	-	15,292
Student services	32,055	-	32,055
Institutional support	20,096	-	20,096
Total education and general	124,994	-	124,994
Auxiliary enterprises	23,772	-	23,772
Total operating expenses	148,766	-	148,766
Change in net assets from operations	(10,468)	5,644	(4,824)
Nonoperating activities:			
Contributions of cash and other financial assets	500	9,349	9,849
Contributions of nonfinancial assets	-	595	595
Funds held in trust by others	-	627	627
Income and realized gains on investments—net of fees	921	1,545	2,466
Endowment income used in operations	(6,469)	(12,413)	(18,882)
Net unrealized gain from investments	8,079	17,124	25,203
Change in value of split-interest agreements	-	177	177
Postretirement changes other than service costs	310	-	310
Other	(555)	(1,194)	(1,749)
Net assets released from restrictions	4,711	(4,711)	-
Change in beneficial interest in affiliated entity	-	189	189
Change in net assets from non-operating activities	7,497	11,288	18,785
Change in net assets	(2,971)	16,932	13,961
Net assets:			
Beginning	182,621	292,498	475,119
Ending	\$ 179,650	\$ 309,430	\$ 489,080

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2024 and 2023
(In Thousands)

	2024	2023
Cash flows from operating activities:		
Received for tuition, fees, room and board	\$ 89,903	\$ 96,817
Received from contributions	22,890	7,621
Received from governmental and non-governmental grants	3,466	3,817
Received from other sources	9,077	8,160
Payments for wages and benefits	(88,740)	(87,878)
Payments for services, supplies and other	(44,968)	(47,393)
Interest paid on debt	(6,298)	(6,400)
Net cash used in operating activities	(14,670)	(25,256)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(21,265)	(26,084)
Proceeds from student loan collections	281	304
Purchases of investments	(119,992)	(167,674)
Proceeds from maturities and sales of investments	153,627	200,813
Net cash provided by investing activities	12,651	7,359
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	3,208	5,723
Investment in plant and other	6,410	4,012
Investment subject to annuity agreement	356	140
	9,974	9,875
Other financing activities:		
Payments of federal student loans to government	(338)	(667)
Proceeds from long-term debt, net of issuance costs	66,185	-
Payments on long-term debt	(2,145)	(2,040)
Payments on annuities payable	(244)	(180)
	63,458	(2,887)
Net cash provided by financing activities	73,432	6,988
Net increase (decrease) in cash and cash equivalents and restricted cash and cash equivalents	71,413	(10,909)
Cash and cash equivalents and restricted cash and cash equivalents:		
Beginning	7,967	18,876
Ending	\$ 79,380	\$ 7,967
Cash and cash equivalents	\$ 18,291	\$ 7,967
Restricted cash and cash equivalents	61,089	-
	\$ 79,380	\$ 7,967
Supplemental schedule of noncash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 3,553	\$ 2,198

See notes to consolidated financial statements.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: 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 within 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.

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

Basis of Accounting: The accompanying consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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.

Principles of consolidation: The accompanying consolidated financial statements include the accounts of the University and its subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Basis of presentation: The Not-for-Profit Entities topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) requires that information regarding the University's financial position are reported based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions 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 are released upon the passage of a prescribed period of time or upon the fulfillment of the donor-imposed restriction. Net assets with donor restrictions also include 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 Activities 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 up to \$250 per bank. The University has cash deposits that exceed the federally insured deposit amount. Management does not anticipate nonperformance by the financial institutions. The University also places its cash equivalents and short-term investments with high-quality institutions.

Restricted cash and cash equivalents: Restricted cash and cash equivalents consists of proceeds from the Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2024. These funds are subject to restrictions imposed by the bond covenants and limited to use on authorized bond projects (see Note 8).

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.

Student accounts receivable: Student accounts receivable are reported net of any anticipated losses due to credit losses, and are included in accounts, notes and other receivables 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 credit losses. The University assesses a finance charge against past due student receivables that are deferred under a monthly payment plan.

Student loans receivable: Student loans receivables are reported net of any anticipated credit losses, and are included in accounts, notes and other receivables in the accompanying consolidated statements of financial position. Prior to fiscal year 2019, the University made uncollateralized loans to students based on financial need. Student loans were funded through the Federal Perkins Loan Program (Perkins Loan) or institutional resources. As of June 30, 2024 and 2023, student loans represented 0.16% and 0.24% of total assets, respectively.

Allowance for credit losses: The University offsets gross trade accounts receivable with an allowance for credit losses. The allowance for credit losses is the University's best estimate of the amount of probable credit losses in the University's existing accounts receivable and is based upon historical loss patterns, the number of days that billings are past due, and an evaluation of the potential risk of loss associated with specific accounts. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Provisions for allowances for credit losses are recorded in general and administrative expense.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Estimating credit losses based on risk characteristics requires significant judgment by the University. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the University's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The University separates student accounts receivables into risk pools based on their aging and reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

The University considers a student 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 University separates student loan receivables into risk pools based on their aging and develops a loss rate for each risk pool. The allowance for credit losses 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 loans and institutional loans. Perkins Loans have provisions for deferment, forbearance and cancellation of individual loans. The deferment and forbearance provisions of Perkins Loans are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

At June 30, 2024, the University evaluated the impact of current and future economic conditions on its historical loss rates for each risk pool and in management's judgement concluded that any impact to loss rates would be immaterial to both student accounts receivable and loans receivable. Therefore, no loss rates of any risk pool were adjusted for current or future economic conditions.

Government grants and contracts: Government grants and contracts are considered exchange transactions if each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions and are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose or when the services are provided as stipulated by the grant or contract. Funds received in advance and not yet earned are recorded as deferred revenues.

Government grants and contracts can be terminated by the grantor or refunding can be required under certain circumstances coupled with other performance and/or control barriers. For these reasons, these grant and contract agreements are considered conditional. Accordingly, amounts received, but not recognized as revenue, are classified in the accompanying statements of financial position as refundable advances.

Bequest receivable: Bequests are recognized as contribution revenue when the University has an irrevocable right to the gift as determined by applicable court declarations, and the amount can be reasonably estimated. The revenue and related receivable are recorded at the present value of the amount which management estimates it will collect.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Contributions 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 contributions. 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 contributions. The net present value is determined at the time the unconditional promise to give is initially received and is determined using a market rate applied to the most likely expected cash flows. Amortization of the resulting discount is included in contribution revenue. The allowance for uncollectible contributions is based on pledge activity. Large contributions 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 the date of the 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 the 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. Three different types of agreements are currently maintained: Charitable Gift Annuities, Charitable Remainder Unitrust (the Trust) and Life Interest in Real Estate.

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. The Life Interest in Real Estate is a contribution of real estate in which the donor retains the right to use the real estate until the property is sold by the donor or until the donor's death, at which time, the proceeds of the sale will transfer to the University.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 1. Nature of Activities 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 \$377,652 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2024, \$2,182 represent Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,632. Of the \$364,854 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2023, \$1,982 represent Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,397.

Also included in investments in the accompanying consolidated statements of financial position at June 30, 2024 and 2023, is the carrying value of property under a Life Interest in Real Estate amounting to \$0 and \$6,575, as of June 30, 2024 and 2023, respectively.

The associated amount of the use obligation included in other liabilities amounts to \$0 and \$1,564, as of June 30, 2024 and 2023, respectively. The donor and the donor's spouse were responsible for maintaining and insuring the property and paying real estate taxes. The donor and the donor's spouse had the right to reside at the property until they decide to sell, or until their death. Proceeds from the sale of the property are being used for the purposes imposed by the donor as stated in the Life Interest in Real Estate agreement.

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. Under the University's capitalization policy, any expenditure for property, plant and equipment of less than \$3 is expensed as incurred. The cost of repairs and maintenance are charged to expense as incurred.

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 associated amount of these collections amount to \$3,790, and \$3,250, as of June 30, 2024 and 2023, respectively.

The University evaluates, on an ongoing 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. Management did not identify any indications that such assets are impaired as of June 30, 2024 and 2023.

Depreciation is recorded on the straight-line basis. The estimated useful life of land improvements, buildings and facilities is five to 40 years. The estimated useful life of furniture and equipment and library books and collections is three to 10 years.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Leases: The University determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when: (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The University also considers whether its service arrangements include the right to control the use of an asset.

The University recognizes most leases on its consolidated statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the consolidated statements of activities.

ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date, and are reduced by any lease incentives received.

To determine the present value of lease payments, the University made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The University has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the University, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

The University also made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less.

Student deposits and other liabilities: Student deposits represent monies collected in advance for deposits and tuition, which amounted to \$2,328, \$2,697 and \$2,600 as of June 30, 2024, June 30, 2023, and July 1, 2022, respectively. Other liabilities and other deferred revenues amounted to \$6,854 and \$7,674 as of June 30, 2024 and 2023, respectively.

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.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

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.

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 funds held in trust by others, 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, change in beneficial interest in affiliated entity, and significant items of an unusual or nonrecurring nature.

Contributions: The University records unconditional contributions of cash and other assets and promises to give, when received. 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. When restrictions are met in the year of contribution receipt, such contributions are shown as donor restricted revenues and as net assets released from restrictions.

The University reports gifts of land, buildings and equipment as contributions without donor restrictions 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 donor restricted contributions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions as net assets without donor restrictions when the donated assets are received or when long-lived assets acquired with donor restricted contributions are placed into service.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Tuition revenue and discounts: Tuition is recognized in the fiscal year in which educational services are delivered 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, 2024 and 2023, is treated as deferred revenue and is included with student deposits and other 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 in the period in which related educational services are delivered. See Note 16 for further disclosures.

Government grants: Government grants and contracts are considered exchange transactions if each party receives and sacrifices commensurate value. Funds from these exchange transactions are not considered contributions, and are deemed to be earned and reported as revenue when such funds have been expended towards the designated purpose, or when the services are provided as stipulated by the grant or contract. Funds received in advance and not yet earned are recorded as refundable advances. Government grants and contracts not considered exchange transactions are recognized as revenue when all restrictions and conditions stipulated in the contract are met to net assets without donor restrictions if no restrictions remain at the time of revenue recognition.

Contributions of non-financial assets: The University recognized contributed nonfinancial assets within revenue, including contributed real estate, equipment, library materials, clothing, food, household goods travel expenses and musical instruments. Contributed nonfinancial assets are utilized in University programs or monetized for investment into the University Endowment or direct program spending as specified by the original donor.

Advertising costs: The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to \$1,231 and \$905 for the years ended June 30, 2024 and 2023, 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 services are instruction and research. Expenses reported as public service, academic support, student services, institutional support and auxiliary enterprises are incurred in support of those primary program services. The University's fundraising expenses were \$4,870 and \$4,401 for the years ended June 30, 2024 and 2023, respectively, and are included in institutional support in the consolidated statements of activities.

Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) 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.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Adopted accounting pronouncements: The University adopted ASC 326, Financial Instruments—Credit Losses, as of July 1, 2023, with the cumulative-effect transition method with the required prospective approach. The measurement of expected credit losses under the current expected credit loss (CECL) methodology is applicable to financial assets measured at amortized cost, which include trade receivables, contract assets and non-current receivables. An allowance for credit losses under the CECL methodology is determined using the loss-rate approach and measured on a collective (pool) basis when similar risk characteristics exist. Where financial instruments do not share risk characteristics, they are evaluated on an individual basis. The CECL allowance is based on relevant available information, from internal and external sources, relating to past events, current conditions and reasonable and supportable forecasts. The allowance for credit losses as of June 30, 2024, and change in the allowance for credit losses during the year ended June 30, 2024, was not material to the consolidated financial statements.

Prior to adoption of ASC 326, the Entity maintained an allowance for doubtful accounts to reserve for potentially uncollectible receivables. The allowance for doubtful accounts as of June 30, 2023, was not material to the consolidated financial statements.

Subsequent events: The University has evaluated subsequent events through December 17, 2024, the date on which the consolidated financial statements were available to be issued.

Note 2. Accounts, Notes and Other Receivables

Accounts, notes and other receivables consist of the following at June 30, 2024 and 2023:

	2024	2023
Student accounts receivable (net of allowance 2024—\$781; 2023—\$870)	\$ 2,614	\$ 2,857
Student loans receivable (net of allowance 2024—\$141; 2023—\$432)	1,157	1,579
Grants receivable	2,242	1,531
Accrued interest receivable	486	686
Estate bequests	2,988	17,020
Other receivables	1,639	868
	<u>\$ 11,126</u>	<u>\$ 24,541</u>

Student accounts receivable as of July 1, 2022 was \$4,181, net of allowance of \$839. Student loans receivable as of July 1, 2022 was \$2,882, net of allowance of \$732.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 2. Accounts, Notes and Other Receivables (Continued)

Student loans receivable consist of the following at June 30, 2024 and 2023:

	2024	2023
Federal Perkins Loan program	\$ 1,265	\$ 1,972
Institutional programs	33	39
	<u>1,298</u>	<u>2,011</u>
Less allowance for credit losses:		
Beginning of year	(432)	(732)
Adjustments	278	265
Write-offs	13	35
End of year	<u>(141)</u>	<u>(432)</u>
Student loans receivable, net	<u>\$ 1,157</u>	<u>\$ 1,579</u>

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$939 and \$1,743 at June 30, 2024 and 2023, 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 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 2024 and 2023. The University will liquidate its Perkins loan program at the direction of the Department of Education. The liquidation will involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of the federal share of remaining Perkins loans 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 and canceled loans amounted to \$338 and \$667 in fiscal years 2024 and 2023, respectively.

At June 30, 2024 and 2023, 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
2024	\$ 49	\$ 9	\$ 57	\$ 115
2023	3	2	295	300

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

Contributions receivable at June 30, 2024 and 2023, are expected to be realized in the following periods:

	2024	2023
One year or less	\$ 2,932	\$ 2,586
Between one year and five years	5,831	6,193
More than five years	11	19
	<u>8,774</u>	<u>8,798</u>
Less discount	(624)	(558)
Less allowance	(222)	(659)
	<u>\$ 7,928</u>	<u>\$ 7,581</u>

The discount rate used for contributions receivable in 2024 and 2023, ranged from 0.19% to 5.49%.

Contributions receivable at June 30, 2024 and 2023, are classified as follows:

	2024	2023
Contributions to be held in perpetuity	\$ 1,116	\$ 1,032
Contributions restricted by time or purpose	6,812	6,549
	<u>\$ 7,928</u>	<u>\$ 7,581</u>

70% of the University's contributions receivable at both June 30, 2024 and 2023, were provided by nine contributors. Written promises to give from members of the Board of Trustees and Officers of the University included as part of net pledges receivable as of June 30, 2024 and 2023, totaled \$1,939 and \$1,552, respectively.

Note 4. Investments

A summary of investments by type at June 30, 2024 and 2023, is as follows:

	2024		2023	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 15,579	\$ 15,579	\$ 14,902	\$ 14,902
Equity securities	5,216	11,718	11,211	24,910
Equity mutual funds	141,897	218,114	124,537	173,456
Fixed income securities	17,146	16,092	31,535	30,203
Fixed income mutual funds	10,711	10,357	10,358	9,817
Alternative investments	83,820	104,699	87,390	103,860
Other investments	1,431	1,093	8,065	7,706
Total	<u>\$ 275,800</u>	<u>\$ 377,652</u>	<u>\$ 287,998</u>	<u>\$ 364,854</u>

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

Income and net realized gains on investments for the year ended June 30, 2024, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
By source of earnings:			
Income on endowment funds	\$ 1,788	\$ 4,014	\$ 5,802
Other investment income	1,254	31	1,285
Net realized gains on endowment funds	2,967	7,093	10,060
	<u>\$ 6,009</u>	<u>\$ 11,138</u>	<u>\$ 17,147</u>
By operating and non-operating:			
Income and realized gains on investments—net from operating activity	\$ 1,250	\$ -	\$ 1,250
Income and realized gains on investments—net from non-operating activities	4,759	11,138	15,897
	<u>\$ 6,009</u>	<u>\$ 11,138</u>	<u>\$ 17,147</u>

Income and net realized gains (losses) on investments for the year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
By source of earnings:			
Income on endowment funds	\$ 3,191	\$ 6,348	\$ 9,539
Other investment income	1,212	11	1,223
Net realized losses on endowment funds	(2,353)	(4,816)	(7,169)
	<u>\$ 2,050</u>	<u>\$ 1,543</u>	<u>\$ 3,593</u>
By operating and non-operating:			
Income and realized gains (losses) on investments—net from operating activity	\$ 1,129	\$ (2)	\$ 1,127
Income and realized gains on investments—net from non-operating activities	921	1,545	2,466
	<u>\$ 2,050</u>	<u>\$ 1,543</u>	<u>\$ 3,593</u>

Investment income is net of management fees and expenses of \$1,903 and \$1,658 for the years ended June 30, 2024 and 2023, 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, 2024			
	Cost	Market Value	Net Gain (Loss)	Market Value Per Share
End of period	\$ 266,449	\$ 367,311	\$ 100,862	\$ 16.51
Beginning of period	272,749	349,060	76,311	16.10
Net change in unrealized appreciation for the period			24,551	
Net realized gain for the period			9,301	
Total net gain			<u>\$ 33,852</u>	

	Year Ended June 30, 2023			
	Cost	Market Value	Net Gain (Loss)	Market Value Per Share
End of period	\$ 272,749	\$ 349,060	\$ 76,311	\$ 16.10
Beginning of period	287,386	339,231	51,845	15.71
Net change in unrealized appreciation for the period			24,466	
Net realized loss for the period			(7,023)	
Total net gain			<u>\$ 17,443</u>	

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2024 and 2023, the earnings were \$5,705 and \$9,396, respectively, or \$0.26 and \$0.43 per share, respectively, as computed on ending shares.

Note 5. Endowment

The University's endowment consists of 724 and 692 individual funds as of June 30, 2024 and 2023, respectively, 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 ASC 958-205-50 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 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 time restrictions still need to be satisfied. 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, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 116,825	\$ 3,350	\$ 120,175
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	189,995	189,995
Accumulated investment gains	-	71,798	71,798
	<u>\$ 116,825</u>	<u>\$ 265,143</u>	<u>\$ 381,968</u>

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, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 111,643	\$ 300	\$ 111,943
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	184,912	184,912
Accumulated investment gains	-	58,653	58,653
	<u>\$ 111,643</u>	<u>\$ 243,865</u>	<u>\$ 355,508</u>

The Board of Trustees reclassified a gift with donor restrictions as an endowment to spend the earnings on the designated purpose as of June 30, 2024 and 2023, in the amount of \$3,350 and 300, respectively.

Changes to endowment net assets for the fiscal year ended June 30, 2024, are as follows:

	Without Donor Restrictions	Original Gift Amount	With Donor Restrictions Accumulated Earnings and Other	Total With Donor Restrictions	Total
Endowment net assets, beginning	\$ 111,643	\$ 184,912	\$ 58,953	\$ 243,865	\$ 355,508
Investment return:					
Investment income	1,786	-	3,937	3,937	5,723
Realized gain	2,967	-	7,170	7,170	10,137
Unrealized gain	7,533	-	17,098	17,098	24,631
Total investment return	12,286	-	28,205	28,205	40,491
Contributions	-	3,083	-	3,083	3,083
Distributed earnings	(7,849)	-	(15,404)	(15,404)	(23,253)
Other changes:					
Transfers to create board- designated funds	11	-	8,101	8,101	8,112
Transfer due to change in donor restrictions	-	2,000	-	2,000	2,000
Release of restrictions on board- designated funds	5,061	-	(5,061)	(5,061)	-
Other endowment activity	(4,327)	-	354	354	(3,973)
Endowment net assets, ending	<u>\$ 116,825</u>	<u>\$ 189,995</u>	<u>\$ 75,148</u>	<u>\$ 265,143</u>	<u>\$ 381,968</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, 2023, 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	\$ 107,961	\$ 178,412	\$ 58,435	\$ 236,847	\$ 344,808
Investment return:					
Investment income	3,150	-	6,339	6,339	9,489
Realized loss	(2,353)	-	(4,807)	(4,807)	(7,160)
Unrealized gain	8,142	-	17,124	17,124	25,266
Total investment return	8,939	-	18,656	18,656	27,595
Contributions	-	6,151	-	6,151	6,151
Distributed earnings	(6,469)	-	(12,413)	(12,413)	(18,882)
Other changes:					
Transfers to create board-designated funds	283	-	73	73	356
Transfer due to change in donor restrictions	-	349	-	349	349
Release of restrictions on board-designated funds	6,175	-	(6,175)	(6,175)	-
Other endowment activity	(5,246)	-	377	377	(4,869)
Endowment net assets, ending	\$ 111,643	\$ 184,912	\$ 58,953	\$ 243,865	\$ 355,508

Transfers to create board-designated funds: Transferred funds from a gift with donor restrictions to an endowment with donor restrictions per the Board of Trustees direction to provide scholarships and other operational support as of June 30, 2024 and 2023, in the amount of \$8,101 and \$73, respectively.

Transfer due to change in donor restrictions: Transferred funds from a donor restricted gift to an endowment with donor restrictions per donor's request to provide support for scholarships and building maintenance and support as of June 30, 2024 and 2023, in the amount of \$2,000 and \$349, respectively.

Release of restrictions on board designated funds: The amount of spending that has been identified and satisfied for the purpose of the donor-imposed restriction that was set at the time the Board designated this fund as an endowment. The amount released pertains mostly to scholarships and operating support as of June 30, 2024 and 2023, in the amount of \$5,061 and \$6,175, respectively.

Other endowment activity: The amount of spending mostly pertains to Board-designated endowment for building renovations as of June 30, 2024 and 2023, in the amount of \$3,973 and \$4,869, respectively.

Contributions receivable, funds held in trust by others and beneficial interest in affiliated entity: Endowment contributions receivable, funds held in trust by others and beneficial interest 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, 2024 and 2023, amount to \$1,116 and \$1,032, respectively (see Note 3). Endowed net assets attributable to funds held in trust by others as of June 30, 2024 and 2023, amount to \$8,373 and \$7,975, respectively (see Note 6). Net assets with donor restrictions attributable to beneficial interest in affiliated entity as of June 30, 2024 and 2023, amount to \$5,610 and \$5,248, respectively (see Note 12).

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 5. Endowment (Continued)

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, 2024, deficiencies of this nature exist in 23 donor-restricted endowment funds, which together have an original gift value of \$11,577, a current fair value of \$10,632 and a deficiency of \$945. As of June 30, 2023, deficiencies of this nature exist in 45 donor-restricted endowment funds, which together have an original gift value of \$18,803, a current fair value of \$17,264 and a deficiency of \$1,539. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were 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.

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. As established by the Board, the targeted spending rate ranges from 3% to 5% of the University's 12-quarter moving average market value. In fiscal years 2024 and 2023, 4.5% was applied to the 12-quarter moving average. In addition, during fiscal years 2024 and 2023, the Board approved an increase to these rates to support operations. This additional spending amounted to \$7,185 in fiscal year 2024, resulting in an increase of 3.0% to the spending rate, and to \$2,839 in fiscal year 2023, resulting in an increase of 1.25% to the spending rate. 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 \$735 and \$851 from underwater endowment funds during 2024 and 2023, 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, 2024 and 2023, amounted to \$9,147 and \$8,698, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to \$774 and \$723 at June 30, 2024 and 2023, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2024 and 2023, is summarized as follows:

	2024	2023
Land	\$ 9,099	\$ 8,816
Land improvements, building and facilities	340,888	315,545
Furniture and equipment	42,425	42,111
Library books and collections	29,086	28,377
Construction-in-progress	9,569	15,085
	<u>431,067</u>	<u>409,934</u>
Less accumulated depreciation and amortization	(205,092)	(193,758)
	<u>\$ 225,975</u>	<u>\$ 216,176</u>

Depreciation expense relating to property, plant and equipment was \$12,524 and \$11,779 for the years ended June 30, 2024 and 2023, respectively.

Interest capitalized during the years ended June 30, 2024 and 2023, was \$426 and \$504, respectively.

Construction-in-progress at June 30, 2024 and 2023, consists of the following:

	2024	2023
Edmund Center Expansion & Renovation	\$ 3,485	\$ -
First Year Residence Hall	2,376	-
Elizabeth Hall ADA Project	1,941	-
Chaudoin Hall renovation	-	7,276
Advocacy building	-	7,286
Other projects	1,767	523
	<u>\$ 9,569</u>	<u>\$ 15,085</u>

Estimated costs to complete these projects at June 30, 2024 and 2023, amount to \$8,421 and \$12,043, respectively.

The University recognized \$3,321 and \$2,146 for rental income on various facilities during the years ended June 30, 2024 and 2023, respectively, and is included in other revenues in the accompanying consolidated statements of activities.

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

Long-term debt at June 30, 2024 and 2023, consists of the following:

	2024	2023
Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2024—payable in annual interest payments ranging from \$3,254 to \$3,281 through 2028, and annual principal and interest payments ranging from \$4,501 to \$4,504, beginning 2029 through 2044, and from 2045 to 2048 annual interest payments ranging from \$1,356 to \$1,804. 2049 will consist of principal and interest of \$16,185, followed by annual interest payments ranging from \$438 to \$1,017, from 2050 to 2053, and annual principal and interest payment of \$19,590 in 2054. Semiannual interest amounts at a fixed rate from 5.00% to 5.250%, collateralized by the University's tuition revenues.	\$ 63,330	\$ -
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	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%.	80,415	82,560
	196,745	135,560
Other notes payable	138	138
	196,883	135,698
Debt issuance costs	(1,569)	(911)
Unamortized premium on bonds payable	8,245	5,234
	<u>\$ 203,559</u>	<u>\$ 140,021</u>

As of June 30, 2024, the University had a revolving line of credit, effective through February 2027, that could provide up to \$10,000 for the operations and maintenance of the University. Borrowings under this line of credit would bear interest at the Secured Overnight Financing Rate (SOFR) plus 1.15%, which automatically adjusts on a monthly basis. There has been no use of this revolving line of credit since its inception in March of 2024.

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

Required reductions of the 2015, 2019 and 2024 bonds for the fiscal years following 2024, are as follows:

	Principal	Interest	Total Debt Service
Years ending June 30:			
2025	\$ 2,250	\$ 9,445	\$ 11,695
2026	2,365	9,359	11,724
2027	2,480	9,241	11,721
2028	2,605	9,117	11,722
2029	3,955	8,987	12,942
Thereafter	183,090	146,874	329,964
	<u>\$ 196,745</u>	<u>\$ 193,023</u>	<u>\$ 389,768</u>

Note 9. Operating Leases

The University leases real estate, including other locations, and equipment under operating lease agreements that have initial terms ranging from two to 20 years. Some leases include one or more options to renew, generally at the University's sole discretion, with renewal terms that can extend the lease term up to one year. In addition, certain leases contain termination options where the rights to terminate are held by either the University, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the University will exercise that option. The University's operating leases generally do not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Lease costs incurred under operating leases and other short-term rental agreements amounted to \$1,472 and \$1,585 for the years ended June 30, 2024 and 2023, respectively.

Supplemental consolidated cash flow information related to leases is as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 430	\$ 536
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$ 114	\$ 1,079

Stetson University, Inc.**Notes to Consolidated Financial Statements**
(Dollars in Thousands)**Note 9. Operating Leases (Continued)**

Supplemental consolidated statements of financial position information related to leases is as follows as of June 30, 2024 and 2023:

	2024	2023
Operating leases:		
Operating lease right-of-use assets*	\$ 2,670	\$ 2,730
Operating lease liabilities, current	\$ 334	\$ 315
Operating lease liabilities, non-current	2,294	2,340
Total operating lease liabilities**	\$ 2,628	\$ 2,655
Weighted-average remaining lease term—operating leases	12.5 years	11.7 years
Weighted-average discount rate—operating leases	3.8%	3.8%

* This is included in other assets

** This is included in accrued liabilities

Future undiscounted cash flows for each of the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the consolidated statement of financial position are as follows as of June 30, 2024:

2025	\$ 430
2026	408
2027	305
2028	289
2029	271
Thereafter	1,774
Minimum future rental payments	3,477
Less amount representing interest	(849)
Present value of net minimum lease payments	\$ 2,628

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 IRC. The pension expense for the years ended June 30, 2024 and 2023, amounted to \$5,283 and \$5,233, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 10. Retirement and Postretirement Benefits (Continued)

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 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.

The following assumptions were used to calculate the liability as of June 30, 2024 and 2023:

	2024	2023
Discount rate	5.20%	4.83%
Expected return on assets	N/A	N/A
Rate of compensation increases	N/A	N/A

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

Years ending June 30:	
2025	\$ 301
2026	291
2027	295
2028	306
2029	320
2030-2034	1,592

Note 11. Related-Party Transactions

During the 2024 and 2023 fiscal years, the University paid \$4,385 and \$4,044, respectively, for insurance brokerage services and coverages provided by Brown & Brown, Inc., for which trustee J. Hyatt Brown is the chairman. There was \$3.90 million and \$0, respectively, in outstanding payments owed to this firm as of June 30, 2024 and 2023.

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 beneficial interest in affiliated entity.

The change in net assets of the Foundation for the years ended June 30, 2024 and 2023, was \$362 and \$189, respectively. The University's interest in the net assets for the Foundation as of June 30, 2024 and 2023, amounted to \$5,610 and \$5,248, respectively.

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following at June 30, 2024 and 2023:

	June 30, 2024		
	Restricted by Purpose and/or Time	To be Held in Perpetuity	Total
Scholarships	\$ 38,095	\$ 99,852	\$ 137,947
Programs	60,748	100,156	160,904
Capital	9,808	-	9,808
Trusts and annuities—time restricted	1,174	270	1,444
Estate bequest receivable	1,088	1,900	2,988
Contributions receivable	6,812	1,116	7,928
	<u>\$ 117,725</u>	<u>\$ 203,294</u>	<u>\$ 321,019</u>

	June 30, 2023		
	Restricted by Purpose and/or Time	To be Held in Perpetuity	Total
Scholarships	\$ 29,591	\$ 95,060	\$ 124,651
Programs	48,913	99,467	148,380
Capital	5,478	-	5,478
Trusts and annuities—time restricted	4,452	1,868	6,320
Estate bequest receivable	15,120	1,900	17,020
Contributions receivable	6,549	1,032	7,581
	<u>\$ 110,103</u>	<u>\$ 199,327</u>	<u>\$ 309,430</u>

Net assets released from restrictions in the years ended June 30, 2024 and 2023, are comprised of \$29,934 and \$23,622, respectively, due to satisfaction of program restrictions and scholarship awards, and \$7,805 and \$4,711, 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 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.

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, 2024:

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
Restricted cash and cash equivalents				
Money market funds	\$ 61,089	\$ 61,089	\$ -	\$ -
Restricted cash and cash equivalents total	<u>\$ 61,089</u>	<u>\$ 61,089</u>	<u>\$ -</u>	<u>\$ -</u>
Short-term investments:				
Fixed income mutual funds:				
Multi-strategy	\$ 15,724	\$ 15,724	\$ -	\$ -
Short-term investments total	<u>\$ 15,724</u>	<u>\$ 15,724</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	<u>\$ 9,147</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,147</u>
Investments:				
Money market funds	\$ 15,579	\$ 15,579	\$ -	\$ -
Equity securities:				
U.S. large cap	3,208	3,208	-	-
U.S. mid/small cap	7,501	7,501	-	-
International developed	1,009	1,009	-	-
Equity mutual funds:				
U.S. large cap	163,750	163,750	-	-
U.S. mid/small cap	10,351	10,351	-	-
International developed	37,361	37,361	-	-
Emerging markets	6,506	6,506	-	-
Multi-strategy	146	146	-	-
Fixed income securities:				
U.S. Government	14,195	-	14,195	-
Corporate	1,868	-	1,868	-
Global fixed	29	-	29	-
Fixed income mutual funds:				
U.S. Government	230	230	-	-
Corporate	627	627	-	-
Multi-strategy	9,500	9,500	-	-
Other investments	1,093	228	865	-
Fair value hierarchy total	<u>272,953</u>	<u>\$ 255,996</u>	<u>\$ 16,957</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	51,642			
Private equity funds	22,526			
Private equity fund of funds	30,531			
Investments total	<u>\$ 377,652</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, 2023:

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:				
Multi-strategy	\$ 19,778	\$ 19,778	\$ -	\$ -
Short-term investments total	<u>\$ 19,778</u>	<u>\$ 19,778</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	<u>\$ 8,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,698</u>
Investments:				
Money market funds	\$ 14,902	\$ 14,902	\$ -	\$ -
Equity securities:				
U.S. large cap	3,075	3,075	-	-
U.S. mid/small cap	19,908	19,908	-	-
International developed	1,927	1,927	-	-
Equity mutual funds:				
U.S. large cap	138,124	138,124	-	-
U.S. mid/small cap	395	395	-	-
International developed	34,598	34,598	-	-
Emerging markets	194	194	-	-
Multi-strategy	145	145	-	-
Fixed income securities:				
U.S. Government	25,727	-	25,727	-
Corporate	4,446	-	4,446	-
Global fixed	30	-	30	-
Fixed income mutual funds:				
U.S. Government	250	250	-	-
Corporate	467	467	-	-
Multi-strategy	9,100	9,100	-	-
Other investments	7,706	216	7,490	-
Fair value hierarchy total	<u>260,994</u>	<u>\$ 223,301</u>	<u>\$ 37,693</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	47,024			
Private equity funds	24,363			
Emerging market funds	5,730			
Private equity fund of funds	26,743			
Investments total	<u>\$ 364,854</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, 2024 and 2023:

	2024	2023
Balance, at beginning of year	\$ 8,698	\$ 8,375
Actuarial and present value adjustments	449	323
Balance, at end of year	<u>\$ 9,147</u>	<u>\$ 8,698</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

The following table sets forth a summary of the University's investments with a reported NAV or equivalent as of June 30, 2024 and 2023:

	Fair Value		Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments at June 30, 2024
	2024	2023			
Hedge fund of funds (a)	\$ 21,756	\$ 20,111	Semi-annual	95 days	\$ -
Hedge fund of funds (b)	19,030	16,913	Quarterly	100 days	-
Hedge fund of funds (b)	10,856	10,000	Quarterly	65 days	-
Private equity funds (c)	2,733	3,193	Quarterly	60 days	-
Private equity funds (d)	19,793	21,170	Quarterly	90 days	-
Emerging markets funds (e)	-	5,730	Twice Monthly	15 days	-
Private equity fund of funds (f)	8,463	8,355	Not Eligible	Not Eligible	2,181
Private equity fund of funds (g)	22,068	18,388	Not Eligible	Not Eligible	13,245
	<u>\$ 104,699</u>	<u>\$ 103,860</u>			<u>\$ 15,426</u>

- (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.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 15. Net Asset Value (Continued)

- (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.

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, notes and other receivables from students from services provided from contracts are disclosed in Note 2 of the consolidated financial statements. The portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2024 and 2023, 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 netted against tuition revenue in the consolidated statements of activities.

Disaggregated information concerning tuition and fees by type of student for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Undergraduate (net of scholarships and fellowships 2024—\$86,788; 2023—\$85,698)	\$ 33,984	\$ 40,018
College of Law (net of scholarships and fellowships 2024—\$20,098; 2023—\$18,938)	26,552	25,428
Graduate (net of scholarships and fellowships 2024—\$1,445; 2023—\$1,102)	6,049	6,682
Total tuition and fees (net of scholarships and fellowships 2024—\$108,331; 2023—\$105,738)	<u>\$ 66,585</u>	<u>\$ 72,128</u>

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)

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 2 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.

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Residence halls	\$ 17,583	\$ 16,075
Dining services	8,646	8,234
Bookstore commissions	305	322
Other	922	906
Total sales and services of auxiliary enterprises	<u>\$ 27,456</u>	<u>\$ 25,537</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.

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

Note 17. Contributed Nonfinancial Assets

For the years ended June 30, 2024 and 2023, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2024	2023
Operating revenues:		
Artwork	\$ 540	\$ -
Real estate	420	-
Professional services	60	-
Equipment	38	10
Reference material and archives	13	9
Clothing and supplies	-	7
Food	11	7
Household goods	-	3
Travel expenses	-	2
Musical instruments	1	2
Other	4	-
	<u>\$ 1,087</u>	<u>\$ 40</u>
Nonoperating activities:		
Real estate	\$ -	\$ 595
	<u>\$ -</u>	<u>\$ 595</u>

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 17. Contributed Nonfinancial Assets (Continued)

Contributed nonfinancial assets for the fiscal year ended June 30, 2024, are as follows:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Artwork	\$ 540	School of Arts & Sciences	Oil on canvas and Watercolor pieces of artwork to be displayed at the Hand Art Center	Fair value estimated on the basis of recent comparable sales prices in the local market where the artwork are located as determined by a professional appraisal.
Real estate	420	Monetized for donor restricted purpose	Proceeds from sale of property to benefit Stetson Strategic Investment Fund & Institutional for Water & Environment Resilience	Fair value estimated on the basis of recent comparable sales prices in the local market where the properties are located as determined by a professional appraisal.
Professional Services	60	College of Law	Pro-Bono Agreement for consulting of legislative monitoring and advocacy services	Fair value estimated on the basis of estimates of wholesale values that would be received for acquiring similar services in the United States.
Equipment	38	Athletics & College of Law	Apple Macbook for Student & Athlete & Pool table and furniture for College of Law Students	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Reference material and archives	13	Library	To be used for reference or display in the library	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	11	Student assistance, Alumni events, and Athletics	To be used for student, alumni, or athletic events	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar
Musical instruments	1	School of Music	French Horn to be used by students in the School of Music	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Other	4	Student assistance, College of Law	To be used for student travel events or any other particular student need	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 17. Contributed Nonfinancial Assets (Continued)

Contributed nonfinancial assets for the fiscal year ended June 30, 2023, are as follows:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Equipment	\$ 10	Student assistance; Library	Portable power system designated for use by Ukrainian students; 3D printer designated for use in the library	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Reference material and archives	9	Library	To be used for reference or display in the library	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Clothing and supplies	7	Athletics	Various uniforms and items designated for softball and baseball programs	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	7	Alumni events	To be used for alumni events	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Household goods	3	Student assistance	Various household items for use by Ukrainian students	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Travel expenses	2	Board meetings	For travel to various board meetings	Fair value determined on review of documentation submitted by board members of actual travel costs.
Musical instruments	2	School of Music	Tuba to be used by students in the School of Music	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Real estate	595	Monetized for endowment investment	Proceeds from sale of property to benefit and endowed scholarship fund and an endowment for the Institute of Water and Environmental Resilience Program	Fair value estimated on the basis of recent comparable sales prices in the local market where the properties are located as determined by a professional appraisal.

Note 18. Liquidity and Funds Available

The following table reflects the University's financial assets as of June 30, 2024 and 2023, 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 Board of Trustees has set aside the funds for specific reserves or for board designated endowments. As of June 30, 2024 and 2023, board designated investments without donor restrictions of \$116,825 and \$111,643, respectively, could be released and drawn upon if the board approves such action.

Stetson University, Inc.**Notes to Consolidated Financial Statements**
(Dollars in Thousands)**Note 18. 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 \$10,000 line of credit, which it could draw upon in the event of an anticipated liquidity need (see Note 8).

	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 18,291	\$ 7,967
Restricted cash and cash equivalents	61,089	-
Short-term investments	15,724	19,778
Accounts, notes, contributions and other receivables	19,054	32,122
Investments	377,652	364,854
Funds held in trust by others	9,147	8,698
Financial assets, at year-end	500,957	433,419
Less those unavailable for general expenditure within one year, due to:		
Reserved for self funded benefit plan	(1,036)	(392)
Proceeds from issuance of bonds, held for long-term investment	(61,089)	-
Contributions receivable for the endowment	(1,112)	(1,032)
Estate bequest receivable for the endowment	(1,900)	(1,900)
Other contributions and accounts receivable collectible beyond one year	(5,629)	(6,272)
Perpetual and term endowments and accumulated earnings	(261,793)	(243,566)
Investments held in trust	(3,522)	(9,734)
Investments in board designated endowments	(120,175)	(111,943)
Investments and perpetual trusts held by others	(9,147)	(8,698)
Financial assets available to meet cash needs for general expenditures within one year	\$ 35,554	\$ 49,882

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 19. 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, 2024:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation and Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 28,711	\$ 368	\$ 25	\$ 735	\$ -	\$ -	\$ -	\$ -	\$ 29,839
Staff salaries and wages	4,019	354	191	3,360	13,061	11,894	6,083	198	39,160
Employee benefits	9,858	151	17	1,161	3,916	3,423	1,939	66	20,531
Utilities, alterations and repairs	57	-	-	129	336	256	6,204	1,888	8,870
Insurance	335	-	9	116	628	2,510	66	567	4,231
Employee development and travel	1,928	162	175	494	3,183	203	7	9	6,161
Supplies and services	3,499	1,436	654	6,244	8,436	2,371	1,387	6,225	30,252
Depreciation	-	-	-	-	-	-	11,883	641	12,524
Interest	-	-	-	-	-	-	4,304	1,326	5,630
	48,407	2,471	1,071	12,239	29,560	20,657	31,873	10,920	157,198
Facilities operation and maintenance	8,564	-	368	3,339	4,375	1,437	(31,873)	13,790	-
Total expenses	\$ 56,971	\$ 2,471	\$ 1,439	\$ 15,578	\$ 33,935	\$ 22,094	\$ -	\$ 24,710	\$ 157,198

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 19. Expenses by Both Nature and Function (Continued)

Functional expenses by natural classification as of June 30, 2023:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation and Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 28,464	\$ 327	\$ 13	\$ 878	\$ -	\$ -	\$ -	\$ -	\$ 29,682
Staff salaries and wages	3,500	236	235	3,493	12,506	10,799	5,673	192	36,634
Employee benefits	9,530	104	20	1,273	3,746	3,497	1,811	63	20,044
Utilities, alterations and repairs	59	-	-	50	417	211	6,457	1,920	9,114
Insurance	183	-	6	69	463	1,836	49	349	2,955
Employee development and travel	1,806	59	125	435	2,669	256	11	8	5,369
Supplies and services	3,417	731	786	5,725	8,046	2,090	1,041	6,028	27,864
Depreciation	-	-	-	-	-	-	11,109	670	11,779
Interest	-	-	-	-	-	-	4,184	1,141	5,325
	46,959	1,457	1,185	11,923	27,847	18,689	30,335	10,371	148,766
Facilities operation and maintenance	7,599	-	351	3,369	4,208	1,407	(30,335)	13,401	-
Total expenses	\$ 54,558	\$ 1,457	\$ 1,536	\$ 15,292	\$ 32,055	\$ 20,096	\$ -	\$ 23,772	\$ 148,766

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 20. Commitments and Contingencies

Contract commitments: The University has multiple construction contracts outstanding for various construction contracts in addition to the commitments as described in Note 7. Contract commitments outstanding at June 30, 2024, totaled \$9,564, of which \$2,996 was completed, leaving an outstanding commitment of \$6,568.

Contingencies: The University is party to certain litigation as of June 30, 2024 and 2023, 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.

U.S. federal grants: The University receives grants from various agencies of the U.S. government. Such grants are subject to audit under the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the Federal Awards*. The ultimate determination of amounts received under the U.S. government grants is based upon the allowance of costs reported to and accepted by the U.S. government as a result of the audits. Until such audits have been accepted by the U.S. government, there exists a potential contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

Note 21. Financial Responsibility Ratio

The Department of Education's financial responsibility ratio requirements (34 CFR 668.172) requires that certain information necessary to calculate the financial responsibility ratio be provided and referenced to the financial statements or the footnotes. The schedule requires presentation of property and equipment, net both pre-implementation of the requirements and post-implementation. The University's pre-implementation of property and equipment (as of June 30, 2019), less disposals and accumulated depreciation through June 30, 2024, is 137,391,000. The University's post-implementation property and equipment, less disposals and accumulated depreciation through June 30, 2024, is \$79,015,000, excluding construction in progress of \$9,569,000. All post-implementation property and equipment is without outstanding debt for acquisition.

Supplementary Information

Stetson University, Inc.

Supplementary Disaggregated Consolidated Statement of Financial Position

June 30, 2024

(In Thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
Assets					
Cash and cash equivalents	\$ 17,859	\$ -	\$ 427	\$ 5	\$ 18,291
Restricted cash and cash equivalents	-	-	-	61,089	61,089
Short-term investments	15,724	-	-	-	15,724
Accounts, notes and other receivables	7,465	1,243	2,418	-	11,126
Contributions receivable, net	1,365	-	1,112	5,451	7,928
Investments	1,762	-	375,790	100	377,652
Funds held in trust by others	-	-	9,147	-	9,147
Property, plant and equipment, net	1,084	-	-	224,891	225,975
Other assets	8,475	-	-	-	8,475
Beneficial interest in affiliated entity	-	-	5,610	-	5,610
Total assets	\$ 53,734	\$ 1,243	\$ 394,504	\$ 291,536	\$ 741,017
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 7,939	\$ -	\$ 500	\$ 3,550	\$ 11,989
Accrued liabilities	8,067	-	-	785	8,852
Student deposits and other current liabilities	11,811	-	-	-	11,811
Postretirement benefits	3,526	-	-	-	3,526
Refundable government loan funds	-	939	-	-	939
Annuities payable	-	-	1,632	-	1,632
Long-term debt	-	-	-	203,559	203,559
Due to (from) other funds	15,541	423	(8,155)	(7,809)	-
Total liabilities	46,884	1,362	(6,023)	200,085	242,308
Net assets (deficit):					
Without donor restrictions	(15,208)	(119)	116,825	76,192	177,690
With donor restrictions	22,058	-	283,702	15,259	321,019
Total net assets	6,850	(119)	400,527	91,451	498,709
Total liabilities and net assets	\$ 53,734	\$ 1,243	\$ 394,504	\$ 291,536	\$ 741,017

Supplementary Disaggregated Consolidated Statement of Financial Position
June 30, 2023
(In Thousands)

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
Assets					
Cash and cash equivalents	\$ 7,808	\$ -	\$ 157	\$ 2	\$ 7,967
Short-term investments	19,632	-	-	146	19,778
Accounts, notes and other receivable	20,369	1,742	2,422	8	24,541
Contributions receivable, net	1,713	-	1,028	4,840	7,581
Investments	1,196	-	363,557	101	364,854
Funds held in trust by others	-	-	8,698	-	8,698
Property, plant and equipment, net	1,104	-	-	215,072	216,176
Other assets	8,900	-	-	4	8,904
Beneficial interest in affiliated entity	-	-	5,248	-	5,248
Total assets	\$ 60,722	\$ 1,742	\$ 381,110	\$ 220,173	\$ 663,747
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 3,585	\$ -	\$ 455	\$ 2,198	\$ 6,238
Accrued liabilities	8,006	-	-	525	8,531
Student deposits and other current liabilities	11,462	-	1,564	-	13,026
Postretirement benefits	3,711	-	-	-	3,711
Refundable government loan funds	-	1,743	-	-	1,743
Annuities payable	-	-	1,397	-	1,397
Long-term debt	-	-	-	140,021	140,021
Due to (from) other funds	3,945	358	(356)	(3,947)	-
Total liabilities	30,709	2,101	3,060	138,797	174,667
Net assets (deficit):					
Without donor restrictions	(2,691)	(359)	111,643	71,057	179,650
With donor restrictions	32,704	-	266,407	10,319	309,430
Total net assets	30,013	(359)	378,050	81,376	489,080
Total liabilities and net assets	\$ 60,722	\$ 1,742	\$ 381,110	\$ 220,173	\$ 663,747

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

Independent Auditor's Report

Board of Trustees
Stetson University, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Stetson University, Inc. (the University), which comprise the consolidated statement of financial position as of June 30, 2024, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, which collectively comprise the University's financial statements, and have issued our report thereon dated December 17, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Orlando, Florida
December 17, 2024