Stetson University, Inc.

Financial and Compliance Report
June 30, 2022

Contents

RSM US LLP

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, 2022 and 2021, 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 consolidated financial position of the University as of June 30, 2022 and 2021, 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.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022, 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
October 21, 2022

Stetson University, Inc.

Consolidated Statements of Financial Position
June 30, 2022 and 2021
(In Thousands)

	2022	2021
Assets		
Cash and cash equivalents	$ 18,876	$ 14,266
Short-term investments	35,380	50,065
Notes and accounts receivable, net of allowance for doubtful collections	14,769	11,108
Contributions receivable, net of discount and allowance for doubtful collections	15,939	12,084
Investments	346,830	381,521
Funds held in trust by others	8,375	10,555
Property, plant and equipment, net of accumulated depreciation	200,998	192,386
Other assets	6,567	6,420
Beneficial interest in affiliated entity, see Note 12	5,059	5,642
Total assets	$ 652,793	$ 684,047
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 6,683	$ 7,896
Accrued liabilities	9,006	9,228
Student deposits and other liabilities	10,733	17,534
Postretirement benefits	3,943	4,698
Refundable government loan funds	3,090	3,848
Annuities payable	1,628	2,016
Long-term debt	142,591	145,110
Total liabilities	177,674	190,330
Commitments and contingencies (Notes 15, 19 and 20)		
Net assets:		
Without donor restrictions	182,621	190,412
With donor restrictions	292,498	303,305
Total net assets	475,119	493,717
Total liabilities and net assets	$ 652,793	$ 684,047

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2022
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains and other support:			
Tuition and fees (net of scholarships and fellowships of $107,005)	$ 79,932	$ -	$ 79,932
Contributions	1,055	24,269	25,324
Income and realized gains on investments – net of fees	604	(1)	603
Endowment income used in operations	5,968	11,598	17,566
Sales of educational services	1,543	-	1,543
Sales and services of auxiliary enterprises	25,441	-	25,441
Government grants	11,867	-	11,867
Other	2,196	35	2,231
Unrealized loss on investments	(2,159)	-	(2,159)
Net assets released from restrictions	25,857	(25,857)	-
Total operating revenues, gains (losses) and other support	152,304	10,044	162,348
Operating expenses:			
Educational and general:			
Instruction	53,414	-	53,414
Research	1,197	-	1,197
Public service	1,094	-	1,094
Academic support	14,072	-	14,072
Student services	30,491	-	30,491
Institutional support	19,376	-	19,376
Total education and general	119,644	-	119,644
Auxiliary enterprises	22,990	-	22,990
Total operating expenses	142,634	-	142,634
Change in net assets from operations	9,670	10,044	19,714
Nonoperating activities:			
Contributions for non-operating activities	-	22,741	22,741
Funds held in trust by others	-	(1,091)	(1,091)
Income and realized gains on investments – net of fees	4,544	10,151	14,695
Endowment income used in operations	(5,968)	(11,598)	(17,566)
Net unrealized loss from investments	(19,350)	(36,843)	(56,193)
Change in value of split-interest agreements	-	(300)	(300)
Postretirement changes other than service costs	838	-	838
Other	(552)	(301)	(853)
Net assets released from restrictions	3,027	(3,027)	-
Change in beneficial interest in affiliated entity	-	(583)	(583)
Change in net assets from non-operating activities	(17,461)	(20,851)	(38,312)
Change in net assets	(7,791)	(10,807)	(18,598)
Net assets:			
Beginning	190,412	303,305	493,717
Ending	$ 182,621	$ 292,498	$ 475,119

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities
Year Ended June 30, 2021
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains and other support:			
Tuition and fees (net of scholarships and fellowships of $110,036)	$ 86,941	$ -	$ 86,941
Contributions	796	4,541	5,337
Income and realized gains on investments – net of fees	526	1	527
Endowment income used in operations	5,471	11,136	16,607
Sales of educational services	612	-	612
Sales and services of auxiliary enterprises	19,733	-	19,733
Government grants	7,323	-	7,323
Other	895	(48)	847
Unrealized loss on investments	(182)	-	(182)
Net assets released from restrictions	14,515	(14,515)	-
Total operating revenues, gains (losses) and other support	136,630	1,115	137,745
Operating expenses:			
Educational and general:			
Instruction	51,311	-	51,311
Research	1,564	-	1,564
Public service	444	-	444
Academic support	13,827	-	13,827
Student services	26,358	-	26,358
Institutional support	19,153	-	19,153
Total education and general	112,657	-	112,657
Auxiliary enterprises	23,030	-	23,030
Total operating expenses	135,687	-	135,687
Change in net assets from operations	943	1,115	2,058
Nonoperating activities:			
Contributions for non-operating activities	-	7,505	7,505
Funds held in trust by others	-	1,845	1,845
Income and realized gains on investments – net of fees	15,482	31,345	46,827
Endowment income used in operations	(5,471)	(11,136)	(16,607)
Net unrealized gains from investments	14,967	31,227	46,194
Change in value of split-interest agreements	-	300	300
Postretirement changes other than service costs	1,029	-	1,029
Other	(188)	(379)	(567)
Net assets released from restrictions	487	(487)	-
Change in beneficial interest in affiliated entity	-	1,037	1,037
Change in net assets from non-operating activities	26,306	61,257	87,563
Change in net assets	27,249	62,372	89,621
Net assets:			
Beginning	163,163	240,933	404,096
Ending	$ 190,412	$ 303,305	$ 493,717

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021
Cash flows from operating activities:		
Change in net assets	**$ (18,598)**	$ 89,621
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for long-term investment	**(18,074)**	(4,649)
Depreciation	**11,168**	11,270
(Gain) loss on disposal of property, plant and equipment	**(9)**	10
Income and net realized gains from long-term investments	**(14,695)**	(46,827)
Net unrealized loss (gain) from long-term investments	**56,193**	(46,194)
Amortization of bond premium and issuance costs	**(576)**	(621)
Change in value of split-interest agreements	**509**	34
Change in beneficial interest in affiliated entity	**583**	(1,037)
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Notes and accounts receivable, net	**(4,180)**	(1,921)
Contributions receivable, net	**(3,855)**	(1,530)
Funds held in trust by others	**2,180**	(1,523)
Other assets	**(147)**	(2,272)
(Decrease) increase in liabilities:		
Accounts payable	**(1,178)**	2,226
Accrued liabilities	**(222)**	(239)
Student deposits and other current liabilities	**(6,801)**	6,854
Postretirement benefits	**(755)**	(930)
Net cash provided by operating activities	**1,543**	2,272
Cash flows from investing activities:		
Purchases of property, plant and equipment	**(19,828)**	(7,728)
Proceeds from sales of property, plant and equipment	**24**	24
Proceeds from student loan collections	**519**	856
Purchases of investments	**(311,496)**	(188,098)
Proceeds from maturities and sales of investments	**318,813**	178,509
Net cash used in investing activities	**(11,968)**	(16,437)
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	**13,599**	2,549
Investment in plant and other	**4,475**	2,100
	18,074	4,649

(Continued)

Stetson University, Inc.

Consolidated Statements of Cash Flows (Continued)
Years Ended June 30, 2022 and 2021
(In Thousands)

	2022	2021
Other financing activities:		
(Decrease) increase in federal student loan funds	**$ (758)**	$ (787)
Payments on long-term debt	**(1,945)**	(1,855)
Payments on annuities payable	**(336)**	(236)
	(3,039)	(2,878)
Net cash provided by financing activities	**15,035**	1,771
Net increase (decrease) in cash and cash equivalents	**4,610**	(12,394)
Cash and cash equivalents:		
Beginning	**14,266**	26,660
Ending	**$ 18,876**	$ 14,266
Supplemental disclosure of cash flow information:		
Interest paid	**$ 6,497**	$ 6,480
Supplemental disclosures of noncash investing and financing activities:		
Capital expenditures included in accounts payable	**$ 1,452**	$ 1,487

See notes to consolidated financial statements.

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 with the University's financial statements are the balances for GSH Investments, LLC (the Subsidiary), in which the University is the sole member. GSH Investments has acquired additional property, which is owned by the Subsidiary, until it is either sold or transferred to the University.

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

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

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

> ***Net assets without donor restrictions:*** Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements.
>
> ***Net assets with donor restrictions:*** Net assets that carry restrictions that are released upon the passage of a prescribed period of time or upon the fulfillment of the donor-imposed restriction. 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.

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.

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

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 deposited that exceeds the federally insured deposit amount. Management does not anticipate nonperformance by the financial institutions. The University also places its cash equivalents and short-term investments with high-quality institutions.

Short-term investments: Short-term investments include assets invested in a managed fund that holds highly liquid fixed-income securities, short-term U.S. Treasury securities and other short-term investments with varying maturities for an overall fund average of less than one year. All short-term investments are recorded at fair value. Included in short-term investments as of June 30, 2022 and 2021, is $8,125 and $18,645, respectively, from the proceeds of the Stetson University Taxable Revenue Bonds Series 2019. These funds have no restrictions on their use. See Note 8 for further details.

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

Student loans receivable: 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, 2022 and 2021, student loans represented 0.33% and 0.38% of total assets, respectively.

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

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 (NPV) 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 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.

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

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

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

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

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

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 $346,830 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2022, $2,167 represents split-interest agreements, and the associated liabilities total $1,628. Of the $381,521 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2021, $2,982 represents split-interest agreements, and the associated liabilities total $2,016.

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

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 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, 2022 and 2021.

Depreciation is recorded on the straight-line basis. The estimated useful life of land improvements, buildings and building improvements is 5 to 40 years. The estimated useful life of furniture and equipment and library books is 3 to 10 years.

Student deposits and other liabilities: Student deposits represent monies collected in advance for deposits and tuition, which amounted to $2,600 and $4,009 as of June 30, 2022, and June 30, 2021, respectively. Other liabilities and other deferred revenues, amounted to $6,135 and $11,262 as of June 30, 2022, and June 30, 2021, respectively. Included in the decrease for other liabilities from June 30, 2021 to June 30, 2022, was the recognition of deferred revenues related to the Higher Education Emergency Relief Funds of $4,659 (see Note 19).

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

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

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

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

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

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

Contributions: The University records 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, temporarily restricted net assets are reclassified to unrestricted net assets 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 temporarily restricted revenues and as net assets released from restrictions.

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

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, 2022 and 2021, is treated as deferred revenue and is included with student deposits and other current liabilities on the accompanying consolidated statements of financial position. The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue on the accompanying consolidated statements of activities. See Note 16 for further disclosures.

Sales of educational services and sales and services of auxiliary enterprises: Sales of educational services and sales and services of auxiliary enterprises, which include room, board and other student services, are recognized 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.

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

Advertising costs: The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to $874 and $851 for the years ended June 30, 2022 and 2021, respectively.

Functional expenses: Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program service is instruction and research. Expenses reported as public service, academic support, student services, institutional support, and auxiliary enterprises are incurred in support of this primary program service. The University's fund-raising expenses were $3,697 and $3,437 for the years ended June 30, 2022 and 2021, 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the consolidated financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting pronouncements: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU was effective for the University beginning on July 1, 2021. The University determined no impact of this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, ASU 2016-13 eliminates the probable initial recognition threshold in current U.S. GAAP and, instead, requires an entity to reflect its current estimate of all expected credit losses. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial assets to present the net amount expected to be collected. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through changes in net assets. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2022. The University is currently evaluating the impact this ASU will have on its consolidated financial statements.

(Dollars in Thousands)

Note 2. Notes and Accounts Receivable

Notes and accounts receivable consist of the following at June 30, 2022 and 2021:

	2022	2021
Student accounts receivable (net of allowance of $839 in 2022 and $489 in 2021)	$ 3,342	$ 2,187
Student loans receivable (net of allowance of $732 in 2022 and $859 in 2021)	2,150	2,611
Grants receivable	3,794	4,458
Accrued interest receivable	884	713
Estate bequests	3,556	500
Other receivables	1,043	639
	$ 14,769	$ 11,108

Balances of notes and accounts receivable as of June 30, 2020, are as follows:

	2020
Student accounts receivable (net of allowance of $457)	$ 2,020
Student loans receivable (net of allowance of $1,092)	3,820
Grants receivable	2,656
Accrued interest receivable	947
Other receivables	600
	$ 10,043

Student loans receivable consist of the following at June 30, 2022 and 2021:

	2022	2021
Federal Perkins Loan program	$ 2,835	$ 3,393
Institutional programs	47	77
	2,882	3,470
Less allowance for doubtful accounts:		
Beginning of year	(859)	(1,092)
Adjustments	58	152
Write-offs	69	81
End of year	(732)	(859)
Student loans receivable, net	$ 2,150	$ 2,611

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 $3,090 and $3,848 at June 30, 2022 and 2021, 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.

(Dollars in Thousands)

Note 2. Notes and Accounts Receivable (Continued)

Perkins loans 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 2021 and 2020. The University will be liquidating its Perkins loan program at the direction of the Department of Education. The liquidation will likely involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins 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 amounted to $845 and $874 in fiscal year 2022 and fiscal year 2021, respectively.

At June 30, 2022 and 2021, 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
2022	$ 3	$ 1	$ 735	$ 739
2021	7	3	1,048	1,058

Note 3. Contributions Receivable

Contributions receivable are expected to be realized in the following periods:

	2022	2021
One year or less	$ 8,399	$ 8,250
Between one year and five years	5,502	1,605
More than five years	3,535	5,704
	17,436	15,559
Less discount	(675)	(1,169)
Less allowance	(822)	(2,306)
	$ 15,939	$ 12,084

The discount rate used for contributions receivable in 2022 and 2021 ranged from 0.04% to 4.66%.

Contributions receivable are classified as follows:

	2022	2021
Contributions to be held in perpetuity	$ 3,310	$ 5,276
Contributions restricted by time or purpose	12,629	6,808
	$ 15,939	$ 12,084

70% of the University's contributions receivable at both June 30, 2022 and 2021, were provided by five contributors. Written promises to give from members of the Board of Trustees and Officers of the University support net pledges receivable as of June 30, 2022 and 2021, of $470 and $654, respectively.

(Dollars in Thousands)

Note 4. Investments

A summary of investments by type at June 30, 2022 and 2021, is as follows:

	2022		2021	
	Cost	Fair Value	Cost	Fair Value
Money market	$ 4,745	$ 4,745	$ 1,971	$ 1,971
Equity securities	11,831	21,014	11,523	30,314
Equity mutual funds	152,713	180,067	133,548	204,852
Fixed income securities	32,931	30,657	39,617	40,462
Fixed income mutual funds	19,487	17,845	19,326	20,395
Alternative investments	72,738	91,896	66,683	82,758
Other investments	1,001	606	1,275	769
Total	$ 295,446	$ 346,830	$ 273,943	$ 381,521

Income and net realized gains (losses) on investments for the year ended June 30, 2022, are as follows:

By source of earnings:	Without Donor Restrictions	With Donor Restrictions	Total
Income on endowment funds	$ 3,588	$ 7,561	$ 11,149
Other investment income	810	(1)	809
Net realized gains on endowment funds	750	2,590	3,340
	$ 5,148	$ 10,150	$ 15,298
By operating and non-operating:			
Income and realized gains on investments – net from operating activity	$ 604	$ (1)	$ 603
Income and realized gains on investments – net from non-operating activities	4,544	10,151	14,695
	$ 5,148	$ 10,150	$ 15,298

Note 4. Investments (Continued)

Income and net realized gains (losses) on investments for the year ended June 30, 2021, are as follows:

By source of earnings:	Without Donor Restrictions	With Donor Restrictions	Total
Income on endowment funds	$ 2,130	$ 4,335	$ 6,465
Other investment income	914	-	914
Net realized gains on endowment funds	12,964	27,011	39,975
	$ 16,008	$ 31,346	$ 47,354
By operating and non-operating:			
Income and realized gains on investments – net from operating activity	$ 526	$ 1	$ 527
Income and realized gains on investments – net from non-operating activities	15,482	31,345	46,827
	$ 16,008	$ 31,346	$ 47,354

Investment income is net of management fees and expenses of $2,066 and $1,526 for the years ended June 30, 2022 and 2021, respectively.

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

	Year Ended June 30, 2022			
	Cost	Market Value	Net Gain (Loss)	Market Value Per Share
End of period	$ 287,386	$ 339,231	$ 51,845	$ 15.71
Beginning of period	266,199	371,897	105,698	18.38
Net change in unrealized appreciation for the period			(53,853)	
Net realized gain for the period			2,436	
Total net loss			$ (51,417)	

	Year Ended June 30, 2021			
	Cost	Market Value	Net Gain	Market Value Per Share
End of period	$ 266,199	$ 371,897	$ 105,698	$ 18.38
Beginning of period	234,017	294,192	60,175	14.70
Net change in unrealized appreciation for the period			45,523	
Net realized gain for the period			39,272	
Total net gain			$ 84,795	

Note 4. Investments (Continued)

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2022 and 2021, the earnings were $11,075 and $6,358, respectively, or $0.51 and $0.31 per share, respectively, as computed on ending shares.

Note 5. Endowment

The University's endowment consists of 680 and 649 individual funds as of June 30, 2022 and 2021, 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 Accounting Standards Codification (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.

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 restrictions exist on their use. Certain contributions with donor-imposed restrictions have been designated as endowment by the Board of Trustees and are included in net assets with donor restrictions.

(Dollars in Thousands)

Note 5. Endowment (Continued)

Endowment net assets were comprised of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 107,961	$ 6,394	$ 114,355
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	178,412	178,412
Accumulated investment gains	-	52,041	52,041
	$ 107,961	$ 236,847	$ 344,808

Endowment net assets were composed of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 123,058	$ 300	$ 123,358
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	164,793	164,793
Accumulated investment gains	-	90,015	90,015
	$ 123,058	$ 255,108	$ 378,166

Changes to endowment net assets for the fiscal year ended June 30, 2022, are as follows:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Endowment net assets, beginning of year	$ 123,058	$ 164,793	$ 90,315	$ 255,108	$ 378,166
Investment return:					
Investment income	3,588	-	7,584	7,584	11,172
Realized gain	750	79	2,511	2,590	3,340
Unrealized loss	(18,633)	-	(36,843)	(36,843)	(55,476)
Total investment gain (loss)	(14,295)	79	(26,748)	(26,669)	(40,964)
Contributions	-	13,532	-	13,532	13,532
Distributed earnings	(5,968)	-	(11,598)	(11,598)	(17,566)
Other changes:					
Transfers to create board-designated funds	1,504	-	16,678	16,678	18,182
Transfer due to change in donor restrictions	-	8	-	8	8
Release of restrictions on board-designated funds	10,594	-	(10,594)	(10,594)	-
Other endowment activity	(6,932)	-	382	382	(6,550)
Endowment net assets, end of year	$ 107,961	$ 178,412	$ 58,435	$ 236,847	$ 344,808

(Dollars in Thousands)

Note 5. Endowment (Continued)

Changes to endowment net assets for the fiscal year ended June 30, 2021, are as follows:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total with Donor Restrictions	Total
Endowment net assets, beginning of year	$ 97,991	$ 161,234	$ 39,150	$ 200,384	$ 298,375
Investment return:					
Investment income	2,102	-	4,363	4,363	6,465
Realized gain	12,964	-	27,011	27,011	39,975
Unrealized gain	15,097	-	31,227	31,227	46,324
Total investment gain	30,163	-	62,601	62,601	92,764
Contributions	-	2,509	-	2,509	2,509
Distributed earnings	(5,471)	-	(11,136)	(11,136)	(16,607)
Other changes:					
Transfers to create board-designated funds	10	-	144	144	154
Transfer due to change in donor restrictions	-	1,050	-	1,050	1,050
Release of restrictions on board-designated funds	259	-	(259)	(259)	-
Other endowment activity	106	-	(185)	(185)	(79)
Endowment net assets, end of year	$ 123,058	$ 164,793	$ 90,315	$ 255,108	$ 378,166

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, 2022 and 2021, amount to $3,310 and $5,276, respectively, (see Note 3). Endowed net assets attributable to funds held in trust by others as of June 30, 2022 and 2021, amount to $7,670 and $8,849, respectively (see Note 6). Net assets with donor restrictions attributable to beneficial interest in affiliated entity as of June 30, 2022 and 2021, amount to $5,059 and $5,642, respectively (see Note 12).

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or FL UPMIFA requires the University to retain as a fund of perpetual duration. As of June 30, 2022, deficiencies of this nature exist in 54 donor-restricted endowment funds, which together have an original gift value of $16,624, a current fair value of $14,638, and a deficiency of $1,986. As of June 30, 2021, deficiencies of this nature exist in one donor-restricted endowment fund, which together have an original gift value of $1,329, a current fair value of $723, and a deficiency of $606. 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.

(Dollars in Thousands)

Note 5. Endowment (Continued)

The purpose of establishing a target spending rate for the University's endowment assets is to achieve the spending stability necessary for the planning and budgeting activities funded from the University's earnings. 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 2022 and 2021, 4.5% and 4.6% were applied to the 12-quarter moving average, respectively. In addition, during fiscal years 2022 and 2021, the Board approved an increase to these rates to mitigate the impact of the coronavirus outbreak (COVID-19). This additional spending amounted to $2,883 in fiscal year 2022, resulting in an increase of 1.0% to the spending rate, and to $3,469 in fiscal year 2021, resulting in an increase of 1.3% 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 $399 and $18 from underwater endowment funds during 2022 and 2021, 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, 2022 and 2021, amounted to $8,375 and $10,555, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to $705 and $1,706 at June 30, 2022 and 2021, respectively.

Note 7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2022 and 2021, are summarized as follows:

	2022	2021
Land	$ 8,816	$ 8,816
Land improvements, building and facilities	285,513	283,283
Furniture and equipment	39,116	38,084
Library books and collections	28,134	28,244
Construction-in-progress	22,290	6,321
	383,869	364,748
Less accumulated depreciation and amortization	(182,871)	(172,362)
	$ 200,998	$ 192,386

Depreciation expense relating to property, plant and equipment was $11,168 and $11,270 for the years ended June 30, 2022 and 2021, respectively.

Interest capitalized during the years ended June 30, 2022 and 2021, was $475 and $81, respectively.

(Dollars in Thousands)

Note 7. Property, Plant and Equipment (Continued)

Construction-in-progress at June 30, 2022 and 2021, consists of the following:

	2022	2021
Brown Hall for Health & Innovation	$ 11,880	$ 837
Sage Hall renovation	9,007	3,169
Edinger Golf Complex	-	1,924
Advocacy building	510	-
Other projects	893	391
	$ 22,290	$ 6,321

Estimated costs to complete these projects at June 30, 2022 and 2021, amount to $22,502 and $24,625, respectively.

The University recognized $1,917 and $1,487 for rental income on various facilities during the years ended June 30, 2022 and 2021, respectively, and is included in other revenues in the accompanying consolidated statements of activities.

Note 8. Long-Term Debt

Long-term debt at June 30, 2022 and 2021, consists of the following:

	2022	2021
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%.	84,600	86,545
	137,600	139,545
Other notes payable	138	138
	137,738	139,683
Debt issuance costs	(967)	(1,025)
Unamortized premium on bonds payable	5,820	6,452
	$ 142,591	$ 145,110

As of June 30, 2022, the University had a revolving line of credit, effective through October 2024, that could provide up to $5,000 for the operations and maintenance of the University. Borrowings under this line of credit would bear interest at the London Interbank Offer Rate (LIBOR) plus 1.25%, which automatically adjusts on a monthly basis. There has been no use of this revolving line of credit since its inception in November of 2018.

(Dollars in Thousands)

Note 8. Long-Term Debt (Continued)

Required reductions of long-term debt for the fiscal years following 2022, are as follows:

	Principal	Interest	Total Debt Service
Years ending June 30:			
2023	$ 2,040	$ 6,400	$ 8,440
2024	2,145	6,298	8,443
2025	2,250	6,190	8,440
2026	2,365	6,078	8,443
2027	2,480	5,960	8,440
Thereafter	126,458	107,932	234,390
	$ 137,738	$ 138,858	$ 276,596

Note 9. Operating Leases

The University determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The University determines these assets are leased because the University has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset.

Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically from the exercise of its right to substitute the asset are not considered to be or contain a lease because the University determines it does not have the right to control and direct the use of the identified asset. The University’s lease agreements do not contain any material residual value guarantees or material restrictive covenants. In evaluating its contracts, the University separately identifies lease and non-lease components, such as common area and other maintenance costs, for its office buildings, apartments, and vehicles. The University has elected the practical expedient to not separate lease and non-lease components and classifies the contract as a lease if consideration in the contract allocated to the lease component is greater than the consideration allocated to the non-lease component.

(Dollars in Thousands)

Note 9. Operating Leases (Continued)

Leases result in the recognition of right of use (ROU) assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date. ROU assets and lease liabilities for operating and finance leases are included in our consolidated statements of financial position. ROU assets as of June 30, 2022 and 2021, amounted to $2,021 and $2,293, respectively, and are included in other assets on the consolidated statements of financial position. Lease liabilities as of June 30, 2022 and 2021, amounted to $1,998 and $2,263, respectively, and are included in other liabilities on the consolidated statements of financial position. At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. For the initial and subsequent measurement of all lease liabilities, the discount rate is based on the rate implied within the lease or is based on the University's incremental borrowing rate using a period comparable with the lease term. The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Operating lease expense is generally recognized on a straight-line basis over the lease term. Future minimum lease payments under operating leases at June 30, 2022, are as follows:

2023	$ 448
2024	304
2025	289
2026	271
2027	186
Thereafter	926
Minimum future rental payments	2,424
Less amount representing interest	(426)
Present value of net minimum lease payments	$ 1,998

Rent expense incurred under operating leases and other short-term rental agreements amounted to $1,522 and $3,095 for the years ended June 30, 2022 and 2021, respectively.

Note 10. Retirement and Postretirement Benefits

Retirement benefits are provided through defined contribution plans with the Teachers Insurance and Annuity Association – College Retirement Equities Fund, a national organization used to fund pension benefits for educational institutions. All full-time employees with one year of service are eligible under the plan. The University contributes 5% of base gross salary (as defined) after completion of one year of service (as defined) at the University and 10% of base gross salary after completion of two years of service, except for certain positions, as provided in the Plan document, that are immediately eligible to receive the University contributions. Additionally, employees who were hired on or before June 30, 2008, receive supplemental University contributions in amounts based on the age of the eligible participants as of July 1, 2008. All contributions are subject to certain limitations of the IRC. The pension expense for the years ended June 30, 2022 and 2021, amounted to $4,765 and $2,650, respectively.

(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 year-end statements of financial position. The funded status of a defined benefit plan is measured as the difference between plan assets at fair value and the benefit obligation.

The following assumptions were used to calculate the liability as of June 30, 2022 and 2021:

	2022	2021
Discount rate	4.25%	2.38%
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:		
2023	$	326
2024		321
2025		309
2026		298
2027		310
2028-2031		1,586

Note 11. Related Party Transactions

During the 2022 and 2021 fiscal years, the University paid $2,713 and $2,378, respectively, for insurance brokerage services and coverages provided by a firm for which a trustee of the University is the chairman. There were no outstanding payments owed to this firm as of June 30, 2022 and 2021. During fiscal years 2022 and 2021, the University paid $44 and $35, respectively, to a firm for which a trustee is a Managing Director for consulting services and software license fees.

(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, 2022 and 2021, was ($583) and $1,037, respectively. The University's interest in the net assets for the Foundation as of June 30, 2022 and 2021, amounted to $5,059 and $5,642, respectively.

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following at June 30, 2022 and 2021:

	Restricted by Purpose and/or Time	Held in Perpetuity	Total
June 30, 2022:			
Scholarships	$ 32,923	$ 89,547	$ 122,470
Programs	47,773	98,175	145,948
Capital	6,897	-	6,897
Trusts and annuities – time restricted	1,080	164	1,244
Contributions receivable	12,629	3,310	15,939
	$ 101,302	$ 191,196	$ 292,498
June 30, 2021:			
Scholarships	$ 42,812	$ 77,015	$ 119,827
Programs	64,550	98,267	162,817
Capital	5,905	-	5,905
Trusts and annuities – time restricted	2,302	370	2,672
Contributions receivable	6,808	5,276	12,084
	$ 122,377	$ 180,928	$ 303,305

Net assets released from restrictions in the years ended June 30, 2022 and 2021, are comprised of $25,857 and $14,515, respectively, due to satisfaction of program restrictions and scholarship awards, and $3,027 and $487, respectively, due to acquisition of capital assets that were placed in service.

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.

(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, 2022:

Description	Fair Value	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Short-term investments:				
Fixed income mutual funds:				
U.S. Government	$ -	$ -	$ -	$ -
Multi-strategy	35,380	35,380	-	-
Short-term investments total	$ 35,380	$ 35,380	$ -	$ -
Funds held in trust by others	$ 8,375	$ -	$ -	$ 8,375
Investments:				
Money market funds	$ 4,745	$ 4,745	$ -	$ -
Equity securities:				
U.S. large cap	2,042	2,042	-	-
U.S. mid/small cap	17,013	17,013	-	-
International developed	1,960	1,960	-	-
Equity mutual funds:				
U.S. large cap	149,783	149,783	-	-
U.S. mid/small cap	403	403	-	-
International developed	29,450	29,450	-	-
Emerging markets	200	200	-	-
Multi-strategy	232	232	-	-
Fixed income securities:				
U.S. Government	22,656	-	22,656	-
Corporate	8,001	-	8,001	-
Global fixed	1	-	1	-
Fixed income mutual funds:				
U.S. Government	28	28	-	-
Corporate	281	281	-	-
Multi-strategy	17,536	17,536	-	-
Other investments	602	159	443	-
Fair value hierarchy total	254,933	$ 223,832	$ 31,101	$ -
Alternative investments: (*)				
Hedge fund of funds	36,467			
Private equity funds	28,106			
Emerging market funds	5,876			
Private equity fund of funds	21,448			
Investments total	$ 346,830			

(*) 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).

(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, 2021:

Description	Fair Value	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Short-term investments:				
Fixed income mutual funds:				
U.S. Government	$ -	$ -	$ -	$ -
Multi-strategy	50,065	50,065	-	-
Short-term investments total	$ 50,065	$ 50,065	$ -	$ -
Funds held in trust by others	$ 10,555	$ -	$ -	$ 10,555
Investments:				
Money market funds	$ 1,971	$ 1,971	$ -	$ -
Equity securities:				
U.S. large cap	2,732	2,732	-	-
U.S. mid/small cap	24,164	24,164	-	-
International developed	3,418	3,418	-	-
Equity mutual funds:				
U.S. large cap	165,893	165,893	-	-
U.S. mid/small cap	634	634	-	-
International developed	37,782	37,782	-	-
Emerging markets	245	245	-	-
Multi-strategy	298	298	-	-
Fixed income securities:				
U.S. Government	26,272	-	26,272	-
Corporate	14,189	-	14,189	-
Global fixed	1	-	1	-
Fixed income mutual funds:				
U.S. Government	6	6	-	-
Corporate	345	345	-	-
Multi-strategy	20,044	20,044	-	-
Other investments	769	226	543	-
Fair value hierarchy total	298,763	$ 257,758	$ 41,005	$ -
Alternative investments: (*)				
Hedge fund of funds	35,127			
Private equity funds	16,420			
Emerging market funds	18,612			
Private equity fund of funds	12,599			
Investments total	$ 381,521			

(*) 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).

(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, 2022 and 2021:

	2022	2021
Balance, at beginning of year	$ 10,555	$ 9,032
Actuarial and present value adjustments	(2,180)	1,523
Balance, at end of year	$ 8,375	$ 10,555

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:

	Fair Value June 30, 2022	Fair Value June 30, 2021	Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments at June 30, 2022
Hedge fund of funds [(a)]	$ 19,442	$ 18,009	Semi-annual	95 days	$ -
Hedge fund of funds [(b)]	17,025	17,118	Quarterly	100 days	-
Private equity funds [(c)]	4,132	4,516	Quarterly	60 days	-
Private equity funds [(d)]	23,974	11,904	Quarterly	90 days	-
Emerging markets funds [(e)]	5,876	18,612	Twice Monthly	15 days	-
Private equity fund of funds [(f)]	7,962	5,830	Not Eligible	Not Eligible	4,330
Private equity fund of funds [(g)]	13,486	6,769	Not Eligible	Not Eligible	12,920
	$ 91,897	$ 82,758			

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.

Note 15. Net Asset Value (Continued)

c. This class is an open-end commingled fund designed to invest in high quality U.S. real estate assets. The fund's investment portfolio consists of over 175 properties across all real estate sectors of hotels, apartments, retail, office and industrial. In addition to sector diversification, this fund's investments are diversified across the U.S. with roughly half the assets in east coast properties and half in west coast properties.

d. This class is an open-end commingled fund designed to invest in a nationally diversified portfolio of high quality real estate assets. The fund's investment portfolio consists of over 40 properties across all real estate sectors of hotels, apartments, retail, office and industrial. In addition to sector diversification, this fund's investments are diversified across the U.S.

e. This class invests primarily in common stocks from the universe of companies in the MSCI Emerging Markets Investable Market Index. The fund also invests in Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs) and depositary receipts to seek exposure to certain emerging markets. The fund may also invest in preferred stocks, real estate investment trusts (REITs) and other investment companies. The fund may also invest its assets in the U.S. or in other developed markets.

f. This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments purchased on the secondary market. The fund will be diversified across strategy types with investments in venture capital, buyout and credit while also diversified globally in the North America, Europe and Asia/Pacific.

g. This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments. The fund will be diversified across investment funds focused on U.S. small to mid-market buyout private equity.

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. Notes and accounts receivable 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, 2022 and 2021, 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.

(Dollars in Thousands)

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

Disaggregated information concerning tuition and fees by type of student for the years ended June 30, 2022 and 2021, is as follows:

	2022	2021
Undergraduate (net of scholarships and fellowships of $89,544 in 2022 and $94,584 in 2021)	$ 46,727	$ 53,277
College of Law (net of scholarships and fellowships of $16,469 in 2022 and $14,396 in 2021)	26,358	26,841
Graduate (net of scholarships and fellowships of $992 in 2022 and $1,056 in 2021)	6,847	6,823
Total tuition and fees (net of scholarships and fellowships of $107,005 in 2022 and $110,036 in 2021)	$ 79,932	$ 86,941

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, 2022 and 2021 is as follows:

	2022	2021
Residence halls	$ 15,738	$ 11,841
Dining services	8,526	6,859
Bookstore commissions	343	249
Other	834	784
Total sales and services of auxiliary enterprises	$ 25,441	$ 19,733

(Dollars in Thousands)

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

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

Note 17. Liquidity and Funds Available

The following table reflects the University's financial assets as of June 30, 2022 and 2021, 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, 2022 and 2021, board designated investments without donor restrictions of $107,961 and $123,058, respectively, could be released and drawn upon if the board approves such action.

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

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 18,876	$ 14,266
Short-term investments	35,380	50,065
Notes, accounts and pledges receivable	30,708	23,192
Investments	346,830	381,521
Funds held in trust by others	8,375	10,555
Financial assets, at year-end	440,169	479,599
Less those unavailable for general expenditure within one year, due to:		
Reserved for self funded benefit plan	(688)	(766)
Proceeds from issuance of bonds, held for long-term investment	(8,125)	(18,645)
Contributions receivable for the endowment	(3,310)	(5,276)
Other contributions and accounts receivable collectible beyond one year	(9,445)	(7,696)
Perpetual and term endowments and accumulated earnings	(230,453)	(254,808)
Investments held in trust	(3,176)	(4,112)
Investments in board designated endowments	(114,355)	(123,358)
Investments and perpetual trusts held by others	(8,375)	(10,555)
Financial assets available to meet cash needs for general expenditures within one year	$ 62,242	$ 54,383

(Dollars in Thousands)

Note 18. Expenses by Both Nature and Function

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

Functional expenses by natural classification as of June 30, 2022:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation and Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	$ 29,040	$ 395	$ 6	$ 817	$ -	$ -	$ -	$ -	$ 30,258
Staff salaries and wages	3,367	231	165	3,435	11,670	10,380	5,191	189	34,628
Employee benefits	10,177	130	15	1,251	3,665	3,001	1,721	64	20,024
Utilities, alterations and repairs	62	36	-	18	410	246	5,524	1,898	8,194
Insurance	163	-	5	56	353	1,591	46	296	2,510
Employee development and travel	988	45	3	223	2,290	106	9	3	3,667
Supplies and services	2,934	360	569	5,247	8,167	2,396	688	6,338	26,699
Depreciation	-	-	-	-	-	-	10,484	684	11,168
Interest	-	-	-	-	-	-	4,312	1,174	5,486
	46,731	1,197	763	11,047	26,555	17,720	27,975	10,646	142,634
Facilities operation and maintenance	6,683	-	331	3,025	3,936	1,656	(27,975)	12,344	-
Total expenses	$ 53,414	$ 1,197	$ 1,094	$ 14,072	$ 30,491	$ 19,376	$ -	$ 22,990	$ 142,634

(Dollars in Thousands)

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

Functional expenses by natural classification as of June 30, 2021:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation and Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	$ 28,919	$ 327	$ 3	$ 596	$ -	$ -	$ -	$ -	$ 29,845
Staff salaries and wages	3,360	177	19	3,713	11,097	10,385	4,937	187	33,875
Employee benefits	9,666	98	1	1,185	3,482	2,678	1,568	59	18,737
Utilities, alterations and repairs	41	12	-	20	316	201	5,233	1,519	7,342
Insurance	146	-	4	50	321	1,373	46	264	2,204
Employee development and travel	90	13	1	53	1,040	32	3	5	1,237
Supplies and services	2,113	937	92	5,287	6,427	2,883	223	7,304	25,266
Depreciation	-	-	-	-	-	-	10,560	710	11,270
Interest	-	-	-	-	-	-	4,740	1,171	5,911
	44,335	1,564	120	10,904	22,683	17,552	27,310	11,219	135,687
Facilities operation and maintenance	6,976	-	324	2,923	3,675	1,601	(27,310)	11,811	-
Total expenses	$ 51,311	$ 1,564	$ 444	$ 13,827	$ 26,358	$ 19,153	$ -	$ 23,030	$ 135,687

Note 19. COVID-19

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (COVID-19) a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. COVID-19 and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the University operates.

On March 27, 2020, the *Coronavirus Aid, Relief and Economic Security Act* (CARES Act) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the COVID-19 pandemic. As part of the CARES Act, $14 billion was provided to the Office of Postsecondary Education for the creation of the Higher Education Emergency Relief Fund (HEERF). HEERF provides funding to institutions for emergency financial aid grants to students as well as funding to support the costs of shifting classes online and other institutional costs incurred related to the pandemic.

Under the provisions of the CARES Act, no less than 50% of HEERF funds received by an institution must be used to provide emergency financial aid to students. The University received total funds of $3,579 in aid under the provisions of the CARES Act, of which $1,790 was distributed to students as emergency aid and $1,789 was used by the University towards costs incurred as a result of the pandemic. The institutional portion of HEERF funds was included in government grants revenue as of June 30, 2020.

On December 27, 2020, the *Coronavirus Response and Relief Supplemental Appropriations Act* (CRRSAA) was enacted to supplement and extend the purpose of the CARES Act. As part of the CRRSAA, $21 billion was provided to the Office of Postsecondary Education for the creation of the Higher Education Emergency Relief Fund II (HEERF II). HEERF II provides additional funding to institutions for emergency financial aid grants to students as well as funding to support institutional costs related to the pandemic.

Under the provisions of CRRSAA and HEERF II, institutions are required to provide at least the same amount of funding in financial aid grants to students as was required under the CARES Act. The University received total funds of $5,218 in aid under the provisions of HEERF II, of which $1,790 is allocated for student emergency aid and $3,428 was applied to lost housing revenues and costs incurred as a result of the pandemic. For the years ended June 30, 2022 and 2021, $862 and $4,357, respectively, of HEERF II funds was included in government grants revenue.

On March 11, 2021, the *American Rescue Plan* (ARP) was enacted to provide additional funding under the same provisions as CRRSAA and CARES. As part of the ARP, $40 billion was provided to the Office of Postsecondary Education for the creation of the Higher Education Emergency Relief Fund III (HEERF III). HEERF III provides additional funding to institutions for emergency financial aid grants to students as well as funding to support institutional costs related to the pandemic.

Under the provisions of ARP and HEERF III, no less than 50% of HEERF III funds received by an institution must be used to provide emergency financial aid to students. The University received total funds of $9,319 in aid under the provisions of HEERF III, of which $4,660 is allocated for student emergency aid and $4,659 was applied to lost housing revenue and costs incurred as a result of the pandemic. The institutional portion of HEERF III funds was included in other liabilities as of June 30, 2021, and was recognized as revenue in fiscal year 2022 when the student portion was distributed.

Note 20. Commitments and Contingencies

Contract commitments: The University has multiple construction contracts outstanding for various construction contracts. Contract commitments outstanding at June 30, 2022, totaled $19,660, of which $12,059 was completed, leaving an outstanding commitment of $7,601.

Contingencies: The University is party to certain litigation as of June 30, 2022 and 2021, 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. Subsequent Events

ASC 855, *Subsequent Events*, establishes general standards of accounting for and disclosure of events that occur after the date of the statement of financial position but before the consolidated financial statements are issued. ASC 855 defines two types of subsequent events. The effects of events or transactions that provide additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing consolidated financial statements, are recognized in the consolidated financial statements. The effects of events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after that date are not recognized in the consolidated financial statements. Management of the University has reviewed subsequent events through October 21, 2022, (the date of the issuance of the accompanying consolidated financial statements) and have determined that their effects do not require disclosure.

Stetson University, Inc.

Financial Responsibility Ratio Supplemental Schedule
June 30, 2022

Financial Statement & Financial Statement Line Item or Footnote Disclosure		Financial Statement Line Item Amount	Amount Used for Ratio
	Primary Reserve Ratio		
	Expendable Net Assets		
Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions		$ 182,621,000
Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions		292,498,000
Note 13 to the Financial Statements – Net assets with donor restrictions, held in perpetuity, less annuities with donor restrictions.	Net assets with donor restrictions; restricted in perpetuity		191,196,000
Note 13 to the Financial Statements – Trusts and annuities restricted by purpose and/or time	Annuities with donor restrictions		1,080,000
N/A	Term endowments with donor restrictions		-
N/A	Life income funds with donor restrictions		-
N/A	Secured and unsecured related-party receivable	$ -	
Note 3 to the Financial Statements	Unsecured related-party receivable		470,000
Consolidated Statements of Financial Position – Property and equipment, net	Property, plant and equipment, net, including construction in progress	200,998,000	
N/A	Property, plant and equipment; pre-implementation, leases grandfathered		90,646,180
N/A	Property, plant and equipment; post-implementation—with outstanding debt for acquisition		88,061,820
N/A	Property, plant and equipment: post-implementation—without outstanding debt for acquisition		-
Note **7** to the Financial Statements – Property, plant and equipment – construction-in-progress	Construction in progress		22,290,000
Note 9 to the Financial Statements - Operating Leases	Lease right-of-use assets, net	2,021,000	
N/A	Lease right-of-use assets; pre-implementation, leases are grandfathered		-
Note 9 to the Financial Statements - Operating Leases	Lease right-of-use assets; post-implementation		2,021,000
N/A	Intangible assets		-
Statement of Financial Position – Postretirement benefits	Post-employment and pension liabilities		3,943,000
	Long-term debt; for long-term purposes	142,591,000	
Statement of Financial Position – Long-term debt	Long-term debt; for long-term purposes pre-implementation, debt grandfathered		142,591,000
N/A	Long-term debt; for long-term purposes post-implementation		-
N/A	Line of credit for construction in progress		-
N/A	Right-of-use asset lease obligation		
N/A	Right-of-use asset lease obligation; pre-implementation, leases grandfathered	-	-
N/A	Right-of-use asset lease obligation; post-implementation	-	1,998,000
	Total expendable net assets		227,886,000

Stetson University, Inc.

Financial Responsibility Ratio Supplemental Schedule (Continued)
June 30, 2022

	Total Expenses and Losses		
Statement of Activities – total operating expenses without donor restrictions	Total expenses without donor restrictions		142,634,000
Statement of Activities – income and realized gain on investments – net of fees, operating and nonoperating, less endowment income used in operations.	Investment loss, net investment return appropriated for spending	20,170,000	
N/A	Other components of net periodic pension costs	-	
Statement of Activities – Change in value of split interest agreements	Change in value of split interest agreements	300,000	
Statement of Activities – Other	Other losses	853,000	
N/A	Pension-related changes other than net periodic pension costs	-	
	Non-operating and net investment loss		21,323,000
N/A	Investment loss, net investment return appropriated for spending		20,170,000
N/A	Pension-related changes other than net periodic costs		-
	Total expenses and losses		143,787,000

	Equity Ratio		
	Modified Net Assets		
Statement of Financial Position – Net assets without donor restrictions	Net assets without donor restrictions		182,621,000
Statement of Financial Position – Net assets with donor restrictions	Net assets with donor restrictions		292,498,000
N/A	Intangible assets		-
N/A	Secured and unsecured related-party receivable	-	
N/A	Unsecured related-party receivable		470,000
	Total modified net assets		474,649,000
	Modified Assets		
Statement of Financial Position – Total assets	Total assets		652,793,000
N/A	Lease right-of-use asset; pre-implementation, leases grandfathered		-
N/A	Lease right-of-use liability; pre-implementation, leases grandfathered		-
N/A	Intangible assets		-
N/A	Secured and unsecured related-party receivable	-	
N/A	Unsecured related-party receivable		470,000
	Total modified assets		652,323,000

	Net Income Ratio		
	Change in Net Assets Without Donor Restrictions		
Statement of Activities – Change in net assets	Change in Net Assets Without Donor Restrictions; increase (decrease)		(7,791,000)
	Total Revenue and Gains		
Statement of Activities – Total operating revenues, gains (losses) and other support, without donor restrictions	Total revenue without donor restrictions, including net assets released from restrictions	173,290,000	
Statement of Activities – Endowment income used in operations	Net investment return appropriated for spending	5,968,000	
Statement of Activities – Income and realized gains on investments – net of fees, operating and non-operating, Net unrealized gains (loss) from investments, operating and nonoperating	Total net investment return, including investment return appropriated for spending	(12,043,000)	
N/A	Change in value of split-interest agreements	-	
	Other gains	-	
Statement of Activities – Postretirement changes other than service costs	Pension-related changes other than net periodic pension	838,000	
	Total revenues and gains without donor restrictions		156,117,000

Stetson University, Inc.

Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education:			
Student Financial Assistance Cluster:			
Federal Perkins Loan Program, beginning balance	84.038		$ 3,392,753
Federal Perkins Loan Program, new loans	84.038		-
Federal Pell Grant Program	84.063		5,101,407
Federal Supplemental Educational Opportunity Grant	84.007		686,813
Federal Work-Study Program	84.033		605,111
Federal Direct Student Loans	84.268		47,091,783
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		37,720
Total Student Financial Assistance Cluster			56,915,587
COVID-19 Education Stabilization Fund:	84.425		
Student	84.425E		4,955,506
Total Education Stabilization Fund			4,955,506
Total Department of Education			61,871,093
Research and Development Cluster:			
Department of Justice:			
Bureau of Justice Assistance:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738		96,680
Office on Violence Against Women:			
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525		68,717
Total Department of Justice			165,397
Environmental Protection Agency			
National Wetland Program Development Grants and Five-Star Restoration Training Grant	66.462		4,290
Total Environmental Protection Agency			4,290
National Science Foundation			
Biological Sciences	47.074		15,258
Education and Human Resources – STEM	47.076		40,684
Education and Human Resources – IUSE	47.076		69,857
Total National Science Foundation			125,799
Department of Commerce			
National Oceanic and Atmospheric Administration:			
Pass-through:			
University of Florida			
Sea Grant Support	11.417	SUB00002120	81,922
Sea Grant Support	11.417	SUB00002169	45,488
Pass-through:			
Georgia Department of Natural Resources, Chatham County, GA			
Coastal Zone Management Administration Awards	11.419	NA18NOS4190146	19,000
Total Department of Commerce			146,410

(Continued)

Stetson University, Inc.

Schedule of Expenditures of Federal and State Awards (Continued)
Year Ended June 30, 2022

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
United States Department of Health and Human Services:			
Health Resources and Services Administration:			
Mental and Behavioral Health Education and Training Grants	93.732		190,813
Total United States Department of Health and Human Services			190,813
Total Research and Development Cluster			632,709
United States Department of the Interior:			
Pass-Through:			
Atlantic Center for the Arts Inc			
Conservation Activities by Youth Service Organizations	15.931	P20AC00483	20,000
Total United States Department of the Interior			20,000
United States Department of Homeland Security:			
Federal Emergency Management Agency:			
COVID-19: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		618,158
Total United States Department of Homeland Security			618,158
Total Expenditures of Federal Awards			$ 63,141,960

State Grantor/Project Title	State CSFA Number	Pass-Through Entity Identifying Number	Total State Expenditures
State of Florida Department of Education:			
Florida Academic Scholars Awards	48.059		$ 2,260,106
Florida Academic Top Scholars Awards	48.059		28,485
Florida Medallion Scholars Award Program	48.059		1,768,494
Florida Effective Access to Student Education	48.064		4,798,369
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055		133,560
Florida Work Experience Project	48.053		12,128
Florida Private Student Assistance Grant	48.054		975,906
Total Florida Department of Education			9,977,048
Department of Highway Safety and Motor Vehicles			
Stetson University License Plate Project (Note 4)	76.060		50,132
Department of Environmental Protection			
Pass-Through:			
East Central Floridal Regional Planning Committee			
Resilient Florida Programs	37.098		43,107
Department of State			
Division of Arts and Culture			
General	45.061		7,776
Total Expenditures of State Awards			$ 10,078,063

See notes to schedule of expenditures of federal and state awards.

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes grants, contracts and similar agreements entered into directly between Stetson University, Inc. (the University) and agencies and departments of federal and state governments. They also include all subawards to the University by nonfederal organizations pursuant to federal and state grants, contracts and similar agreements. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.650, *Rules of the Auditor General of the State of Florida*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows for the University.

For the Federal Work Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG), the expenditures listed are only the federal share. The University's match was $183,720 for FWS and $299,995 for FSEOG.

Also, the grants reflect transactions for the June 30, 2022, fiscal year irrespective of the year of grant award and, accordingly, the Schedule does not include a full year's activity for grants awarded or terminated on dates not coinciding with the aforementioned fiscal year.

Note 2. Summary of Significant Accounting Policies for Federal and State Award Expenditures

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Expenditures for student financial aid programs are recognized as incurred and include the federal share of students' Federal Supplemental Educational Opportunity Grant (FSEOG) program and FWS program earnings, Federal Pell Grants, certain other federal financial aid grants for students, loan disbursements and administrative cost allowance, where applicable.

Note 3. Indirect Cost Rate

Expenditures include indirect costs, related primarily to facilities operations and maintenance and general divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative cost rates allocated to such awards for the year ended June 30, 2022, were based on fixed rates negotiated with the respective federal agencies. The University has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipient

There were no program funds passed through the University to subrecipient organizations.

Note 5. Federal Perkins Loan Program

The Federal Perkins Loan program listed below is administered directly by the University and balances and transactions relating to this program are included in the University's basic consolidated financial statements. Loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2022, was:

Cluster/Program Title	Assistance Listing Number	Amount Outstanding
Student Financial Assistance Cluster		
Federal Perkins Loan Program	84.038	$ 2,835,312

The Federal Perkins Loan Program expired September 30, 2017, and fiscal year 2018 was the last year that the University could award Perkins loans based on action established by the Department of Education. Accordingly, the University did not award any Perkins loans in fiscal year 2022. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education. The liquidation will likely involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins cash assets to the Department of Education. Until liquidation is complete, the University is required to return the federal share of collections from students on an annual basis.

Note 6. Federal Direct Loan Program

The University distributed $47,091,783 of federally guaranteed loans to students of the University through the Federal Direct Loan program (Assistance Listing Number 84.268), which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. These distributions and the related funding sources are not included in the University's consolidated financial statements.

RSM

RSM US LLP

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. and its related subsidiary (the University), which comprise the consolidated statements of financial position as of June 30, 2022, 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 October 21, 2022.

Report on Internal Control Over Financial Reporting
In planning and performing our audit of the 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 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 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 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 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
October 21, 2022

Report on Compliance for Each Major Federal Program and Major State Project, Report on Internal Control Over Compliance and Report on Schedule of Expenditures of Federal and State Awards Required By the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General of the State of Florida,* and Report on the Supplementary Information Required by the U.S. Department of Education

Independent Auditor's Report

Board of Trustees
Stetson University, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program
We have audited Stetson University, Inc. and its related subsidiary's (the University's) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement, and the requirements described in the Florida Department of Financial Services' State Projects Compliance Supplement, that could have a direct and material effect on each of the University's major federal programs and major state projects for the year ended June 30, 2022. The University's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program and State Project
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Chapter 10.650, *Rules of the Auditor General of the State of Florida* (Chapter 10.650). Our responsibilities under those standards, the Uniform Guidance and Chapter 10.650 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and major state project. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs and state projects.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and Chapter 10.650 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program and major state project as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance and Chapter 10.650, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of The University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters
The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and Chapter 10.650 and which are described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002. Our opinion on each major federal program and major state project is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.650. Accordingly, this report is not suitable for any other purpose.

Supplementary Information
We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2022, and have issued our report thereon dated October 21, 2022, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal and state awards and the accompanying Financial Responsibility Ratio Supplemental Schedule are presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General of the State of Florida* and the U.S. Department of Education, respectively, and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal and state awards and Financial Responsibility Ratio Supplemental Schedule are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

RSM US LLP

Orlando, Florida
December 8, 2022

Stetson University, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

1. Summary of Independent Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance accordance with GAAP:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Noncompliance material to financial statements noted?		Yes	X	No

Federal Awards:

Internal control over major programs or projects:				
Material weakness(es identified?		Yes	X	No
Significant deficiency(ies) identified?		Yes	X	None Reported
Type of auditor's report issued on compliance for major federal programs or state projects:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)	X	Yes		No

Identification of major federal programs and state projects:

Assistance Listing / CSFA Number(s)	Name of Federal Program or Cluster or State Project
Federal:	
Various	Student Financial Assistance Cluster
84.425	COVID-19 Education Stabilization Fund
State:	
48.064	Florida Effective Access to Student Education
48.059	Florida Bright Futures Scholarship

Dollar threshold used to distinguish between Federal type A and type B programs	$ 750,000			
Dollar threshold used to distinguish between State type A and type B projects	$ 750,000			
Auditee qualified as low-risk auditee?	X	Yes		No

(Continued)

State Awards:

Internal control over major programs or projects:

Material weakness(es) identified?	______ Yes	X No
Significant deficiency(ies) identified?	______ Yes	X None Reported
Type of auditor's report issued on compliance for major federal programs or state projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.650, *Rules of the Auditor General of the State of Florida*	______ Yes	X No

2. Financial Statement Findings

None reported.

(Continued)

3. Findings and Questioned Costs for Federal and State Awards

Compliance Findings:

2022-001: Enrollment Reporting

Identification of the federal program:
U.S. Department of Education
Student Financial Aid Cluster

Criteria or specific requirement: Uniform Guidance for Student Financial Aid (SFA) Programs {III. Compliance Requirements, N. Special Tests and Provisions, 4. Enrollment Reporting—Compliance requirements (34 CFR 685.309 (b)(2)(i))} stipulates that unless it expects to submit its next updated enrollment report to the secretary within the next 60 days, the school must notify the secretary within 30 days after the date the school discovers that a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Condition: The University did not properly provide to the National Student Loan Data System (NSLDS) notification for one student who withdrew or graduated during fiscal year 2022.

Cause: The University did not submit the status update in a timely manner.

Effect or potential effect: Notification of change in enrollment status was not provided in a timely manner. Enrollment status is critical for effective management of the programs and determines eligibility for in-school status, deferment and grace periods that can affect the student.

Questioned costs: None

Context: We selected a total of 40 students to test that the change in student status for those who withdrew or graduated who had received Direct Loans was reported to the NSLDS within 30 days or was included in a SSCR (Student Status Confirmation Report) within 60 days from the date of the change in status. Management had a process in place to ensure timely notification; however, in this one instance, the student's status was not updated in a timely manner by the University.

Repeat finding: Yes (Finding 2021-001)

Recommendation: We recommend management implement a review process to ensure that all degree transmissions submitted to its third-party servicer are complete and accurate, and timely, so that submissions to the NSLDS are also complete, accurate, and timely. We further recommend that the University develop a process to ensure that timely reporting of student status changes has been performed by its third-party servicer.

Views of responsible officials: The University agrees with the finding. Refer to the University's Corrective Action Plan.

2022-002: Return of Title IV Funds

Identification of the federal program:
U.S. Department of Education
Student Financial Aid Cluster

Criteria or specific requirement: Uniform Guidance for Student Financial Aid (SFA) Programs {III. Compliance Requirements, N. Special Tests and Provisions, 3. Return of Title IV Funds—Compliance requirements (34 CFR 668.22 (a)(1) through (a)(5))} stipulates that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on their behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Condition: The University did not properly return Title IV funds for two students who withdrew during fiscal year 2022.

Cause: The University's Banner system did not properly capture the required credit to the students' account.

Effect or potential effect: Unearned Title IV funds are not properly returned.

Questioned costs: None

Context: We selected a total of 11 students who withdrew during the fiscal year to test that calculation of Title IV funds to be returned are properly performed and funds are received from students in compliance with Title IV standards. Two instances of noncompliance were identified in which funds were either not collected from the student or funds were incorrectly awarded after collection was made.

Repeat finding: No

Recommendation: We recommend management implement a review process to ensure that all Title IV funds are properly received for applicable withdrawn students.

Views of responsible officials: The University agrees with the finding. Refer to the University's Corrective Action Plan.

STETSON
UNIVERSITY

FY22 Audit Finding Management Response

Corrective Action Plan
Year Ending June 30, 2022

Identifying number: 2022-001

<u>Identification of the federal program:</u>
U.S. Department of Education
Student Financial Aid Cluster

Finding: Uniform Guidance for Student Financial Aid (SFA) Programs {III. Compliance Requirements, N. Special Tests and Provisions, 4. Enrollment Reporting – Compliance requirements (34 CFR 685.309 (b)(2)(i))} stipulates that unless it expects to submit its next updated enrollment report to the secretary within the next 60 days, the school must notify the Secretary within 30 days after the date the school discovers that a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended. The University did not properly provide to the National Student Loan Data System (NSLDS) notification for one student who withdrew or graduated during FY 2022.

Anticipated Completion Date: Action Already Taken

Person Responsible: Colin Hilton-MacFarlane, Executive Director of Institutional Research and Effectiveness

Corrective Actions Taken or Planned: The Office of Institutional Research and Effectiveness reports graduated students to the National Student Clearinghouse upon degree conferral. The concern about solely relying on a third-party to submit to the National Student Loan Data System was identified in the FY2021 audit with a management response involving reconciling extracts directly from NSLDS to validate that all graduated students were successfully reported (and updating directly within NSLDS for any that failed to be submitted by NSC).

The finding in this FY2022 audit occurred prior to the management response and associated business process implementation from the FY2021 audit. The institution remains confident this direct reconciliation within NSLDS will resolve future instances of a lack of timely reporting. This finding also involved a rare case of a student completing a master's level degree program and immediately enrolling in a subsequent master's level degree program. The institution believes this uncommon circumstance may have contributed to this specific failure in NSC reporting the graduated status to NSLDS, so although the new business process of reconciliation should prevent the general case of this issue, specific review within NSLDS of students immediately moving from one degree program to another upon graduation will be conducted to ensure no additional mitigations are necessary beyond what has already been implemented to address the general case.

STETSON
UNIVERSITY

FY22 Audit Finding Management Response

Corrective Action Plan
Year Ending June 30, 2022

Identifying number: 2022-002 – Return of Title IV Funds

<u>Identification of the federal program:</u>
U.S. Department of Education
Student Financial Aid Cluster

Finding: Criteria or specific requirement: Uniform Guidance for Student Financial Aid (SFA) Programs {III. Compliance Requirements, N. Special Tests and Provisions, 3. Return of Title IV Funds – Compliance requirements (34 CFR 668.22 (a)(1) through (a)(5)))} stipulates that when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV aid earned by the student as of the student's withdrawal date. If the total amount of Title IV assistance earned by the student is less than the amount that was disbursed to the student on his or her behalf as of the date of the institution's determination that the student withdrew, the difference must be returned to the Title IV programs.

Anticipated Completion Date: Action Already Taken

Person Responsible: Joanne Brown, AVP, Director of Student Financial Aid

Corrective Actions Taken or Planned: The Office of Student Financial Aid, in accordance with federal regulations, reviews all student withdrawals if the student was a recipient of Title IV funds to determine the correct amount of earned financial aid. The calculation is prepared based on the date of notification of withdrawal. Of the sample tested, all calculations were performed accurately; however, on two records, the funds designated as return to program were not returned within the timeframe allowed resulting in a finding.

Scheduled disbursements and un-disbursements performed as planned; however, the population selection was produced manually and failed to pick up the withdrawn status of the students which would have returned the funds to the programs. All Return to Title IV Calculations will be performed with an immediate, on-the-spot un-disbursement of funds to be returned. Log files will be reviewed and checked to ensure the updates are transmitted to the federal programs in a timely manner.

In addition to the above steps, the Office of Student Financial Aid has begun an internal review of a sample of 2021-2022 R2T4 calculations to ensure calculations were performed accurately and return of Title IV funds were completed in a timely manner and in compliance with federal regulations.

STETSON
UNIVERSITY

Prior Year Audit Findings Report

Enrollment Reporting: 2021-001

Identification of the federal program:
U.S. Department of Education
Student Financial Aid Cluster

Criteria or Specific Requirement: Uniform Guidance for Student Financial Aid (SFA) Programs {III. Compliance Requirements, N. Special Tests and Provisions, 4. Enrollment Reporting – Compliance requirements (34 CFR 685.309 (b)(2)(i))} stipulates that unless it expects to submit its next updated enrollment report to the secretary within the next 60 days, the school must notify the Secretary within 30 days after the date the school discovers that a loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

Condition: The University did not properly provide to the National Student Loan Data System (NSLDS) notification for two students who withdrew or graduated during FY 2021.

Cause: For two instances, the University's records were not updated for status changes in a timely enough manner to be properly reported. For two instances, the University's third-party servicer did not submit the updates in a timely manner.

Recommendation: We recommend management implement a review process to ensure that all degree transmissions submitted to its third-party servicer are complete and accurate, and timely, so that submissions to NSLDS are also complete, accurate, and timely. We further recommend that the University develop a process to ensure that timely reporting of student status changes has been performed by its third-party servicer.

Current Status: The corrective action planned as part of the management response to the Enrollment Reporting: 2021-001 finding has been implemented, although its implementation was delayed beyond the anticipated completion date of May 2022. The Office of Institutional Research obtained direct access to NSLDS as intended, but struggled to find a comprehensive report extract from NSLDS that would allow for reasonable reconciliation against institutional records of status changes. As a workable extract was explored, NSLDS underwent a software update that dramatically changed the user interface with respect to reporting, further delaying the successful implementation of the corrective action. As mentioned above, however, the extract has been identified and the institution is now performing reconciliations of changes of status to allow for direct notification to NSLDS for any changes of status not successfully reported from its third-party servicer in advance of the reporting deadlines.