

Stetson University, Inc.

Consolidated Financial Report
June 30, 2023

Contents

Independent auditor's report	1-2
<hr/>	
Financial statements	
Consolidated statements of financial position	3
Consolidated statements of activities	4-5
Consolidated statements of cash flows	6
Notes to consolidated financial statements	7-39
Supplementary information	
Supplementary disaggregated consolidated statements of financial position	40-41
<hr/>	
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	42-43



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, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary disaggregated consolidated statements of financial position are presented for purposes of additional analysis and are not a required part of the 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the identified accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

RSM US LLP

Orlando, Florida
October 30, 2023

Stetson University, Inc.

**Consolidated Statements of Financial Position
June 30, 2023 and 2022
(In Thousands)**

	2023	2022
Assets		
Cash and cash equivalents	\$ 7,967	\$ 18,876
Short-term investments	19,778	35,380
Notes and accounts receivable, net of allowance for doubtful collections	24,541	14,769
Contributions receivable, net of discount and allowance for doubtful collections	7,581	15,939
Investments	364,854	346,830
Funds held in trust by others	8,698	8,375
Property, plant and equipment, net of accumulated depreciation	216,176	200,998
Other assets	8,904	6,567
Beneficial interest in affiliated entity, see Note 12	5,248	5,059
	<u>663,747</u>	<u>652,793</u>
Total assets	\$ 663,747	\$ 652,793
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 6,238	\$ 6,683
Accrued liabilities	8,531	9,006
Student deposits and other liabilities	13,026	10,733
Postretirement benefits	3,711	3,943
Refundable government loan funds	1,743	3,090
Annuities payable	1,397	1,628
Long-term debt	140,021	142,591
	<u>174,667</u>	<u>177,674</u>
Total liabilities	174,667	177,674
Commitments and contingencies (Notes 15, 20 and 21)		
Net assets:		
Without donor restrictions	179,650	182,621
With donor restrictions	309,430	292,498
	<u>489,080</u>	<u>475,119</u>
Total net assets	489,080	475,119
	<u>663,747</u>	<u>652,793</u>
Total liabilities and net assets	\$ 663,747	\$ 652,793

See notes to consolidated financial statements.

Stetson University, Inc.

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

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

See notes to consolidated financial statements.

Stetson University, Inc.

**Consolidated 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 of cash and other financial assets	1,055	24,247	25,302
Contributions of nonfinancial assets	-	22	22
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 of cash and other financial assets	-	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 Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

	2023	2022
Cash flows from operating activities:		
Received for tuition, fees, room and board	\$ 96,817	\$ 98,457
Received from contributions	7,621	23,709
Received from governmental and non-governmental grants	3,817	9,874
Received from other sources	8,160	6,740
Payments for wages and benefits	(87,878)	(86,652)
Payments for services, supplies and other	(47,393)	(44,088)
Interest paid on debt	(6,400)	(6,497)
Net cash (used in) provided by operating activities	(25,256)	1,543
Cash flows from investing activities:		
Purchases of property, plant and equipment	(26,084)	(19,828)
Proceeds from sales of property, plant and equipment	-	24
Proceeds from student loan collections	304	519
Purchases of investments	(167,674)	(311,496)
Proceeds from maturities and sales of investments	200,813	318,813
Net cash provided by (used in) investing activities	7,359	(11,968)
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	5,723	13,599
Investment in plant and other	4,012	4,475
Investment subject to annuity agreement	140	-
	9,875	18,074
Other financing activities:		
(Decrease) in federal student loan funds	(667)	(758)
Payments on long-term debt	(2,040)	(1,945)
Payments on annuities payable	(180)	(336)
	(2,887)	(3,039)
Net cash provided by financing activities	6,988	15,035
Net (decrease) increase in cash and cash equivalents	(10,909)	4,610
Cash and cash equivalents:		
Beginning	18,876	14,266
Ending	\$ 7,967	\$ 18,876
Supplemental disclosure of cash flow information:		
Interest paid	\$ 6,400	\$ 6,497
Supplemental disclosure of noncash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 2,198	\$ 1,452

See notes to consolidated financial statements.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

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

Consolidated 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. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements.

Net assets with donor restrictions: Net assets that carry restrictions that are released upon the passage of a prescribed period of time or upon the fulfillment of the donor-imposed restriction. Net assets with donor restrictions also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the return earned on related assets for general or specific purposes.

Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations that simultaneously increase one class of net assets and decrease another are reported as reclassifications between the applicable classes of net assets as net assets released from restrictions in the accompanying consolidated statements of activities.

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.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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, 2023 and 2022, is \$0 and \$8,125, respectively, from the remaining 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, 2023 and 2022, student loans represented 0.24% and 0.33% 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 have provisions for deferment, forbearance and cancellation of individual loans. The deferment and forbearance provisions of Perkins Loans are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

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

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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 the date of the gift. Purchases and sales of investments are recorded on the trade date. Except for investments that are held separately for specific reasons, investments are maintained in a pool. Gifts that are invested in the pool are assigned units of participation in the pool based upon their market value on the date of the gift and the most recently determined unit market value for the existing units of participation. Subsequent allocations of annual income of the independent pool are based upon the number of units of participation. Withdrawals are based upon the spending policy approved by the Board of Trustees and follow the total return concept of utilizing both income and realized gain. The market value of the units of participation is calculated quarterly.

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

Split-interest agreements: The University's investments include deferred giving vehicles subject to split-interest agreements. Three different types of agreements are currently maintained: Charitable Gift Annuities, Charitable Remainder Unitrust (the Trust) and Life Interest in Real Estate.

Charitable Gift Annuities are irrevocable gifts under which the University agrees, in turn, to pay a life annuity to the donor or designated beneficiary. The contributed funds and the attendant liabilities immediately become part of the general assets and liabilities of the University, subject to the University's maintaining an actuarial reserve in accordance with Florida law. The Trust gifts are time-restricted contributions not available to the University until after the death of the beneficiary, who, while living, receives an annual payout from the Trust based on a fixed percentage of the market value of the invested funds. The Life Interest in Real Estate is a contribution of real estate in which the donor retains the right to use the real estate until the property is sold by the donor or until the donor's death, at which time, the proceeds of the sale will transfer to the University.

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 \$364,854 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2023, \$1,982 represent Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,397. Of the \$346,830 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2022, \$2,167 represents Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,628.

Also included in investment in the accompanying consolidated statements of financial position at June 30, 2023, is the carrying value of property under a Life Interest in Real Estate amounting to \$6,575 and \$0, as of June 30, 2023 and 2022, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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

The associated amount of the use obligation included in other liabilities amounts to \$1,564 and \$0, as of June 30, 2023 and 2022, respectively. The donor and the donor's spouse are responsible for maintaining and insuring the property and paying real estate taxes. The donor and the donor's spouse have the right to reside at the property until they decide to sell, or until their death. Proceeds from the sale of the property are to be used for the purposes imposed by the donor as stated in the Life Interest in Real Estate agreement.

Property, plant and equipment: Property, plant and equipment are stated at cost at the date of acquisition, or at fair value at the date of donation in the case of gifts. Expenditures that materially increase values, change capacities or extend useful lives are capitalized, as are interest costs during the period of construction on amounts borrowed for such expenditures. When any property, plant and equipment is removed from the records, any gain or loss is recognized at the time of disposal. Under the University's capitalization policy, any expenditure for property, plant and equipment of less than \$3 is expensed as incurred. The cost of repairs and maintenance are charged to expense as incurred.

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

The 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, 2023 and 2022.

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

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

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

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

Stetson University, Inc.

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

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

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

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

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

Student deposits and other liabilities: Student deposits represent monies collected in advance for deposits and tuition, which amounted to \$2,697 and \$2,600 as of June 30, 2023 and 2022, respectively. Other liabilities and other deferred revenues amounted to \$7,674 and \$6,135 as of June 30, 2023 and 2022, respectively.

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

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

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

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

Operating and nonoperating activities: The consolidated statements of activities report the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activity of the University, except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of scholarship bequests and other restricted gifts not solicited as part of the annual fundraising campaigns, gifts restricted for the acquisition of capital assets and gifts restricted to endowment funds. Nonoperating activities also include 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.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

Contributions: The University records unconditional contributions of cash and other assets and promises to give, when received. The University records contributions of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. Unconditional promises to give are recorded as restricted contributions unless the donor specifies that the pledge is to support current year operations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying consolidated statements of activities as net assets released from restrictions. When restrictions are met in the year of contribution receipt, such contributions are shown as donor restricted revenues and as net assets released from restrictions.

The University reports gifts of land, buildings and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used or disposed. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as donor restricted contributions. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions as net assets without donor restrictions when the donated assets are received or when long-lived assets acquired with donor restricted contributions are placed into service.

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, 2023 and 2022, is treated as deferred revenue and is included with student deposits and other liabilities on the accompanying consolidated statements of financial position. The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue on the accompanying consolidated statements of activities. See Note 16 for further disclosures.

Sales of educational services and sales and services of auxiliary enterprises: Sales of educational services and sales and services of auxiliary enterprises, which include room, board and other student services, are recognized in the period in which related educational services are delivered. See Note 16 for further disclosures.

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

Advertising costs: The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to \$905 and \$874 for the years ended June 30, 2023 and 2022, respectively.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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

Functional expenses: Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction and research. Expenses reported as public service, academic support, student services, institutional support and auxiliary enterprises are incurred in support of those primary program services. The University's fund-raising expenses were \$4,401 and \$3,697 for the years ended June 30, 2023 and 2022, respectively, and are included in institutional support in the consolidated statements of activities.

Estimates: The preparation of consolidated financial statements in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently issued accounting pronouncements: In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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.

Note 2. Notes and Accounts Receivable

Notes and accounts receivable consist of the following at June 30, 2023 and 2022:

	2023	2022
Student accounts receivable (net of allowance of \$870—2023 and \$839—2022)	\$ 2,857	\$ 3,342
Student loans receivable (net of allowance of \$432—2023 and \$732—2022)	1,579	2,150
Grants receivable	1,531	3,794
Accrued interest receivable	686	884
Estate bequests	17,020	3,556
Other receivables	868	1,043
	<u>\$ 24,541</u>	<u>\$ 14,769</u>

Stetson University, Inc.

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

Note 2. Notes and Accounts Receivable (Continued)

Student loans receivable consist of the following at June 30, 2023 and 2022:

	2023	2022
Federal Perkins Loan program	\$ 1,972	\$ 2,835
Institutional programs	39	47
	<u>2,011</u>	<u>2,882</u>
Less allowance for doubtful accounts:		
Beginning of year	(732)	(859)
Adjustments	265	58
Write-offs	35	69
End of year	<u>(432)</u>	<u>(732)</u>
Student loans receivable, net	<u>\$ 1,579</u>	<u>\$ 2,150</u>

The University participates in the Perkins federal revolving loan program. The availability of funds for loans under the program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$1,743 and \$3,090 at June 30, 2023 and 2022, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans canceled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

The Perkins loan program expired September 30, 2017, and fiscal year 2018 was the last year that the University could award Perkins loans based on action established by the Department of Education. Accordingly, the University did not award any Perkins loans in fiscal year 2023 and 2022. 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 \$667 and \$845 in fiscal year 2023 and fiscal year 2022, respectively.

At June 30, 2023 and 2022, 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
2023	\$ 3	\$ 2	\$ 295	\$ 300
2022	3	1	735	739

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

Contributions receivable at June 30, 2023 and 2022, are expected to be realized in the following periods:

	2023	2022
One year or less	\$ 2,586	\$ 8,399
Between one year and five years	6,193	5,502
More than five years	19	3,535
	8,798	17,436
Less discount	(558)	(675)
Less allowance	(659)	(822)
	<u>\$ 7,581</u>	<u>\$ 15,939</u>

The discount rate used for contributions receivable in 2023 and 2022 ranged from 0.19% to 5.20%.

Contributions receivable at June 30, 2023 and 2022, are classified as follows:

	2023	2022
Contributions to be held in perpetuity	\$ 1,032	\$ 3,310
Contributions restricted by time or purpose	6,549	12,629
	<u>\$ 7,581</u>	<u>\$ 15,939</u>

70% of the University's contributions receivable at both June 30, 2023 and 2022, were provided by nine contributors. Written promises to give from members of the Board of Trustees and Officers of the University included as part of net pledges receivable as of June 30, 2023 and 2022, totaled \$1,552 and \$470, respectively.

Note 4. Investments

A summary of investments by type at June 30, 2023 and 2022, is as follows:

	2023		2022	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 14,902	\$ 14,902	\$ 4,745	\$ 4,745
Equity securities	11,211	24,910	11,831	21,014
Equity mutual funds	124,537	173,456	152,713	180,067
Fixed income securities	31,535	30,203	32,931	30,657
Fixed income mutual funds	10,358	9,817	19,487	17,845
Alternative investments	87,390	103,860	72,738	91,896
Other investments	8,065	7,706	1,001	606
Total	<u>\$ 287,998</u>	<u>\$ 364,854</u>	<u>\$ 295,446</u>	<u>\$ 346,830</u>

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

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

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

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

	Without Donor Restrictions	With Donor Restrictions	Total
By source of earnings:			
Income on endowment funds	\$ 3,588	\$ 7,561	\$ 11,149
Other investment income (losses)	810	(1)	809
Net realized gains on endowment funds	750	2,590	3,340
	<u>\$ 5,148</u>	<u>\$ 10,150</u>	<u>\$ 15,298</u>
By operating and non-operating:			
Income and realized gains (losses) 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
	<u>\$ 5,148</u>	<u>\$ 10,150</u>	<u>\$ 15,298</u>

Investment income is net of management fees and expenses of \$1,658 and \$2,066 for the years ended June 30, 2023 and 2022, respectively.

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

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

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

	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	<u>105,698</u>	18.38
Net change in unrealized depreciation for the period			(53,853)	
Net realized gain for the period			<u>2,436</u>	
Total net loss			<u>\$ (51,417)</u>	

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2023 and 2022, the earnings were \$9,396 and \$11,075, respectively, or \$0.43 and \$0.51 per share, respectively, as computed on ending shares.

Note 5. Endowment

The University's endowment consists of and 692 and 680 individual funds as of June 30, 2023 and 2022, 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.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 5. Endowment (Continued)

The University is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FL UPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Trustees appropriates such amounts for expenditure. Most of those net assets are also subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The University's Board of Trustees has interpreted FL UPMIFA as requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of: (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor of the gift instrument. The University has interpreted FL UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with FL UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

Funds functioning as endowments are University resources designated as endowment by the Board of Trustees and are invested in the endowment for long-term appreciation and current income. However, these assets remain available and may be spent at the Board of Trustees' discretion unless donor-imposed time restrictions still need to be satisfied. Certain contributions with donor-imposed restrictions have been designated as endowment by the Board of Trustees and are included in net assets with donor restrictions.

Endowment net assets were comprised of the following as of June 30, 2023:

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

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 5. Endowment (Continued)

Endowment net assets were comprised of the following as of June 30, 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
	<u>\$ 107,961</u>	<u>\$ 236,847</u>	<u>\$ 344,808</u>

Changes to endowment net assets for the fiscal year ended June 30, 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 107,961	\$ 178,412	\$ 58,435	\$ 236,847	\$ 344,808
Investment return:					
Investment income	3,150	-	6,339	6,339	9,489
Realized loss	(2,353)	-	(4,807)	(4,807)	(7,160)
Unrealized gain	8,142	-	17,124	17,124	25,266
Total investment return	8,939	-	18,656	18,656	27,595
Contributions	-	6,151	-	6,151	6,151
Distributed earnings	(6,469)	-	(12,413)	(12,413)	(18,882)
Other changes:					
Transfers to create board-designated funds	283	-	73	73	356
Transfer due to change in donor restrictions	-	349	-	349	349
Release of restrictions on board-designated funds	6,175	-	(6,175)	(6,175)	-
Other endowment activity	(5,246)	-	377	377	(4,869)
Endowment net assets, end of year	<u>\$ 111,643</u>	<u>\$ 184,912</u>	<u>\$ 58,953</u>	<u>\$ 243,865</u>	<u>\$ 355,508</u>

Stetson University, Inc.

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

Note 5. Endowment (Continued)

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

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 123,058	\$ 164,793	\$ 90,315	\$ 255,108	\$ 378,166
Investment losses:					
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 losses	(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

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, 2023 and 2022, amount to \$1,032 and \$3,310, respectively (see Note 3). Endowed net assets attributable to funds held in trust by others as of June 30, 2023 and 2022, amount to \$7,975 and \$7,670, respectively (see Note 6). Net assets with donor restrictions attributable to beneficial interest in affiliated entity as of June 30, 2023 and 2022, amount to \$5,248 and \$5,059, 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, 2023, deficiencies of this nature exist in 45 donor-restricted endowment funds, which together have an original gift value of \$18,803, a current fair value of \$17,264 and a deficiency of \$1,539. 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. 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.

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 5. Endowment (Continued)

The purpose of establishing a target spending rate for the University's endowment assets is to achieve the spending stability necessary for the planning and budgeting activities funded from the University's earnings. 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 2023 and 2022, 4.5% was applied to the 12-quarter moving average. In addition, during fiscal years 2023 and 2022, the Board approved an increase to these rates to mitigate the impact of the coronavirus outbreak (COVID-19). This additional spending amounted to \$2,839 in fiscal year 2023, resulting in an increase of 1.25% to the spending rate, and to \$2,883 in fiscal year 2022, resulting in an increase of 1.0% 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 \$851 and \$399 from underwater endowment funds during 2023 and 2022, 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, 2023 and 2022, amounted to \$8,698 and \$8,375, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to \$723 and \$705 at June 30, 2023 and 2022, respectively.

Note 7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2023 and 2022, are summarized as follows:

	2023	2022
Land	\$ 8,816	\$ 8,816
Land improvements, building and facilities	315,545	285,513
Furniture and equipment	42,111	39,116
Library books and collections	28,377	28,134
Construction-in-progress	15,085	22,290
	<u>409,934</u>	<u>383,869</u>
Less accumulated depreciation and amortization	(193,758)	(182,871)
	<u>\$ 216,176</u>	<u>\$ 200,998</u>

Depreciation expense relating to property, plant and equipment was \$11,779 and \$11,168 for the years ended June 30, 2023 and 2022, respectively.

Interest capitalized during the years ended June 30, 2023 and 2022, was \$504 and \$475, respectively.

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

Construction-in-progress at June 30, 2023 and 2022, consists of the following:

	2023	2022
Brown Hall for Health & Innovation	\$ -	\$ 11,880
Sage Hall renovation	-	9,007
Chaudoin Hall renovation	7,276	-
Advocacy building	7,286	510
Other projects	523	893
	<u>\$ 15,085</u>	<u>\$ 22,290</u>

Estimated costs to complete these projects at June 30, 2023 and 2022, amount to \$12,043 and \$22,502, respectively.

The University recognized \$2,146 and \$1,917 for rental income on various facilities during the years ended June 30, 2023 and 2022, 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, 2023 and 2022, consists of the following:

	2023	2022
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%.	82,560	84,600
	<u>135,560</u>	<u>137,600</u>
Other notes payable	138	138
	<u>135,698</u>	<u>137,738</u>
Debt issuance costs	(911)	(967)
Unamortized premium on bonds payable	5,234	5,820
	<u>\$ 140,021</u>	<u>\$ 142,591</u>

As of June 30, 2023, 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.

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

Note 8. Long-Term Debt (Continued)

Required reductions of the 2015 and 2019 bonds for the fiscal years following 2023 are as follows:

	Principal	Interest	Total Debt Service
Years ending June 30:			
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
2028	2,605	5,836	8,441
Thereafter	123,715	102,096	225,811
	<u>\$ 135,560</u>	<u>\$ 132,458</u>	<u>\$ 268,018</u>

Note 9. Operating Leases

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

Operating lease cost is recognized on a straight-line basis over the lease term. Lease costs incurred under operating leases and other short-term rental agreements amounted to \$1,585 and \$1,522 for the years ended June 30, 2023 and 2022, respectively.

Supplemental consolidated cash flow information related to leases is as follows for the years ended June 30, 2023 and 2022:

	2023	2022
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 536	\$ 433
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$ 1,079	\$ 40

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 9. Operating Leases (Continued)

Supplemental consolidated statements of financial position information related to leases is as follows as of June 30, 2023 and 2022:

	2023	2022
Operating leases:		
Operating lease right-of-use assets*	\$ 2,730	\$ 2,021
Accrued expenses**	\$ 315	\$ 364
Operating lease liabilities, non-current	2,340	1,634
Total operating lease liabilities	\$ 2,655	\$ 1,998
Weighted-average remaining lease term—operating leases	11.7 years	8.0 years
Weighted-average discount rate—operating leases	3.8%	3.5%

* This is included in other assets

** This is the current portion of the operating lease liabilities, which is included in accrued expenses.

Future undiscounted cash flows for each of the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the consolidated statement of financial position are as follows as of June 30, 2023:

2024	\$ 413
2025	398
2026	375
2027	274
2028	260
Thereafter	1,764
Minimum future rental payments	3,484
Less amount representing interest	(829)
Present value of net minimum lease payments	\$ 2,655

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, 2023 and 2022, amounted to \$5,233 and \$4,765, respectively.

Stetson University, Inc.

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

Note 10. Retirement and Postretirement Benefits (Continued)

In addition, the University sponsors a defined benefit postretirement plan that provides medical and term-life insurance benefits to eligible retirees. During its May 2007 meeting, the Board of Trustees approved a resolution to reduce and eventually eliminate the postretirement defined benefit plan over a four-year period. Employees retiring through June 30, 2008, who elected to receive postretirement health care benefits, are responsible to pay 40% of the premium. Employees who retired between July 1, 2008 and June 30, 2011, who elected to receive postretirement health care benefits, are responsible to pay 50% of the premium. Employees retiring after June 30, 2011, who elect to receive postretirement health care benefits, are responsible to pay 100% of the premium. The effect of the 2007 amendment was a \$12,300 reduction in prior year service costs, which are being amortized over the average service to full eligibility as of the date of the plan amendment.

Compensation-retirement benefits requires recognition of the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in the accompanying consolidated statements of financial position, and to recognize changes in that funded status in the year in which the changes occur in unrestricted net assets. It also requires measurement of the funded status of a plan as of the date of the consolidated statements of financial position. The funded status of a defined benefit plan is measured as the difference between plan assets at fair value and the benefit obligation.

The following assumptions were used to calculate the liability as of June 30, 2023 and 2022:

	2023	2022
Discount rate	4.83%	4.25%
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:		
2024	\$	317
2025		305
2026		302
2027		306
2028		310
2029-2033		1,605

Note 11. Related-Party Transactions

During the 2023 and 2022 fiscal years, the University paid \$4,044 and \$2,713, 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, 2023 and 2022. During fiscal years 2023 and 2022, the University paid \$35 and \$44, respectively, to a firm for which a trustee is a Managing Director for consulting services and software license fees.

Stetson University, Inc.**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 12. Charles A. Dana Law Center Foundation, Inc.**

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

The change in net assets of the Foundation for the years ended June 30, 2023 and 2022, was \$189 and \$(583), respectively. The University's interest in the net assets for the Foundation as of June 30, 2023 and 2022, amounted to \$5,248 and \$5,059, respectively.

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following at June 30, 2023 and 2022:

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

	June 30, 2022		
	Restricted by Purpose and/or Time	To be Held in Perpetuity	Total
Scholarships	\$ 32,923	\$ 89,547	\$ 122,470
Programs	44,217	98,175	142,392
Capital	6,897	-	6,897
Trusts and annuities—time restricted	1,080	164	1,244
Estate bequest receivable	3,556	-	3,556
Contributions receivable	12,629	3,310	15,939
	<u>\$ 101,302</u>	<u>\$ 191,196</u>	<u>\$ 292,498</u>

Net assets released from restrictions in the years ended June 30, 2023 and 2022, are comprised of \$23,622 and \$25,857, respectively, due to satisfaction of program restrictions and scholarship awards, and \$4,711 and \$3,027, respectively, due to acquisition of capital assets that were placed in service.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 14. Fair Value Measurements

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

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

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

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

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

Investments:

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

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

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

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

Stetson University, Inc.

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

Note 14. Fair Value Measurements (Continued)

The following table presents the fair values for assets and liabilities measured on a recurring basis as of June 30, 2023:

Description	Fair Value	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Short-term investments:				
Fixed income mutual funds:				
Multi-strategy	\$ 19,778	\$ 19,778	\$ -	\$ -
Short-term investments total	<u>\$ 19,778</u>	<u>\$ 19,778</u>	<u>\$ -</u>	<u>\$ -</u>
Funds held in trust by others	<u>\$ 8,698</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,698</u>
Investments:				
Money market funds	\$ 14,902	\$ 14,902	\$ -	\$ -
Equity securities:				
U.S. large cap	3,075	3,075	-	-
U.S. mid/small cap	19,908	19,908	-	-
International developed	1,927	1,927	-	-
Equity mutual funds:				
U.S. large cap	138,124	138,124	-	-
U.S. mid/small cap	395	395	-	-
International developed	34,598	34,598	-	-
Emerging markets	194	194	-	-
Multi-strategy	145	145	-	-
Fixed income securities:				
U.S. Government	25,727	-	25,727	-
Corporate	4,446	-	4,446	-
Global fixed	30	-	30	-
Fixed income mutual funds:				
U.S. Government	250	250	-	-
Corporate	467	467	-	-
Multi-strategy	9,100	9,100	-	-
Other investments	7,706	216	7,490	-
Fair value hierarchy total	<u>260,994</u>	<u>\$ 223,301</u>	<u>\$ 37,693</u>	<u>\$ -</u>
Alternative investments: (*)				
Hedge fund of funds	47,024			
Private equity funds	24,363			
Emerging market funds	5,730			
Private equity fund of funds	26,743			
Investments total	<u>\$ 364,854</u>			

(*) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position (see Note 15).

Stetson University, Inc.

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

Note 14. Fair Value Measurements (Continued)

The 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:				
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	2,040	2,040	-	-
U.S. mid/small cap	17,014	17,014	-	-
International developed	1,960	1,960	-	-
Equity mutual funds:				
U.S. large cap	149,782	149,782	-	-
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	22,655	-	22,655	-
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	606	163	443	-
Fair value hierarchy total	254,934	\$ 223,834	\$ 31,100	\$ -
Alternative investments: (*)				
Hedge fund of funds	36,467			
Private equity funds	28,106			
Emerging market funds	5,876			
Private equity fund of funds	21,447			
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).

Stetson University, Inc.

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

Note 14. Fair Value Measurements (Continued)

The table below sets forth a summary of changes in the fair value of the University's Level 3 assets for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, at beginning of year	\$ 8,375	\$ 10,555
Actuarial and present value adjustments	323	(2,180)
Balance, at end of year	<u>\$ 8,698</u>	<u>\$ 8,375</u>

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

Note 15. Net Asset Value

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

	Fair Value June 30, 2023	Fair Value June 30, 2022	Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments at June 30, 2023
Hedge fund of funds ^(a)	\$ 20,111	\$ 19,442	Semi-annual	95 days	\$ -
Hedge fund of funds ^(b)	16,913	17,025	Quarterly	100 days	-
Hedge fund of funds ^(b)	10,000	-	Quarterly	65 days	-
Private equity funds ^(c)	3,193	4,132	Quarterly	60 days	-
Private equity funds ^(d)	21,170	23,974	Quarterly	90 days	-
Emerging markets funds ^(e)	5,730	5,876	Twice Monthly	15 days	-
Private equity fund of funds ^(f)	8,355	7,962	Not Eligible	Not Eligible	3,041
Private equity fund of funds ^(g)	18,388	13,485	Not Eligible	Not Eligible	13,711
	<u>\$ 103,860</u>	<u>\$ 91,896</u>			<u>\$ 16,752</u>

- (a) This class incorporates strategies with relative value, market neutral and low net equity, event driven and distressed and credit securities.
- (b) This class incorporates strategies with relative value, arbitrage, global macro, long-short equity, event driven and distressed and credit securities.
- (c) This class is an open-end commingled fund designed to invest in high quality U.S. real estate assets. The fund's investment portfolio consists of over 175 properties across all real estate sectors of hotels, apartments, retail, office and industrial. In addition to sector diversification, this fund's investments are diversified across the U.S. with roughly half the assets in east coast properties and half in west coast properties.

Stetson University, Inc.

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

Note 15. Net Asset Value (Continued)

- (d) This class is an open-end commingled fund designed to invest in a nationally diversified portfolio of high quality real estate assets. The fund's investment portfolio consists of over 40 properties across all real estate sectors of hotels, apartments, retail, office and industrial. In addition to sector diversification, this fund's investments are diversified across the U.S.
- (e) This class invests primarily in common stocks from the universe of companies in the MSCI Emerging Markets Investable Market Index. The fund also invests in Exchange Traded Funds (ETFs), Exchange Traded Notes (ETNs) and depositary receipts to seek exposure to certain emerging markets. The fund may also invest in preferred stocks, real estate investment trusts (REITs) and other investment companies. The fund may also invest its assets in the U.S. or in other developed markets.
- (f) This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments purchased on the secondary market. The fund will be diversified across strategy types with investments in venture capital, buyout and credit while also diversified globally in the North America, Europe and Asia/Pacific.
- (g) This class is a closed-end limited partnership designed to invest in a diversified portfolio of private equity fund investments. The fund will be diversified across investment funds focused on U.S. small to mid-market buyout private equity.

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

Tuition revenue and discounts: Tuition and fees for instruction, net of scholarships and fellowships, and sales of educational services, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. 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, 2023 and 2022, is treated as deferred revenue and is included with student deposits and other current liabilities on the accompanying consolidated statements of financial position. The amount of deferred revenue for these summer terms is immaterial to the consolidated financial statements.

Student financial aid in the form of scholarships and fellowships is netted against tuition revenue in the consolidated statements of activities.

Disaggregated information concerning tuition and fees by type of student for the years ended June 30, 2023 and 2022, is as follows:

	2023	2022
Undergraduate (net of scholarships and fellowships of \$85,698—2023 and \$89,544—2022)	\$ 40,018	\$ 46,727
College of Law (net of scholarships and fellowships of \$18,938—2023 and \$16,469—2022)	25,428	26,358
Graduate (net of scholarships and fellowships of \$1,102—2023 and \$992—2022)	6,682	6,847
Total tuition and fees (net of scholarships and fellowships of \$105,738—2023 and \$107,005—2022)	\$ 72,128	\$ 79,932

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

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

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

Charges to students for campus residence and dining services are substantially billed and collected prior to the end of each semester. Associated revenues are earned and recognized over the course of each semester, as these services are delivered. Accounts receivable from students for these services are reported in Note 2 of the consolidated financial statements.

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

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service for the years ended June 30, 2023 and 2022, is as follows:

	2023	2022
Residence halls	\$ 16,075	\$ 15,738
Dining services	8,234	8,526
Bookstore commissions	322	343
Other	906	834
Total sales and services of auxiliary enterprises	<u>\$ 25,537</u>	<u>\$ 25,441</u>

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

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 17. Contributed Nonfinancial Assets

For the years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2023	2022
Operating revenues:		
Equipment	\$ 10	\$ -
Reference material and archives	9	12
Clothing and supplies	7	-
Food	7	1
Household goods	3	-
Travel expenses	2	3
Musical instruments	2	6
	<u>\$ 40</u>	<u>\$ 22</u>
Nonoperating activities:		
Real estate	\$ 595	\$ -
	<u>\$ 595</u>	<u>\$ -</u>

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

Stetson University, Inc.

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

Note 17. Contributed Nonfinancial Assets (Continued)

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

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

Contributed nonfinancial assets for the fiscal year ended June 30, 2022, are as follows:

	Revenue Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Reference material and archives	\$ 12	Library	To be used for reference or display in the library	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	1	Student events	To be used for student events	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Travel expenses	3	Board meetings	For travel to various board meetings	Fair value determined on review of documentation submitted by board members of actual travel costs.
Musical instruments	6	School of Music	Guitar to be used by students in the School of Music	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 18. Liquidity and Funds Available

The following table reflects the University's financial assets as of June 30, 2023 and 2022, 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, 2023 and 2022, board designated investments without donor restrictions of \$111,643 and \$107,961, 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).

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 7,967	\$ 18,876
Short-term investments	19,778	35,380
Notes, accounts and pledges receivable	32,122	30,708
Investments	364,854	346,830
Funds held in trust by others	8,698	8,375
Financial assets, at year-end	<u>433,419</u>	<u>440,169</u>
Less those unavailable for general expenditure within one year, due to:		
Reserved for self funded benefit plan	(392)	(688)
Proceeds from issuance of bonds, held for long-term investment	-	(8,125)
Contributions receivable for the endowment	(1,032)	(3,310)
Estate bequest receivable for the endowment	(1,900)	-
Other contributions and accounts receivable collectible beyond one year	(6,272)	(9,445)
Perpetual and term endowments and accumulated earnings	(243,566)	(230,453)
Investments held in trust	(9,734)	(3,176)
Investments in board designated endowments	(111,943)	(114,355)
Investments and perpetual trusts held by others	(8,698)	(8,375)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 49,882</u>	<u>\$ 62,242</u>

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 19. Expenses by Both Nature and Function

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

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

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

Stetson University, Inc.

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

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

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

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 20. COVID-19

On January 30, 2020, the World Health Organization declared 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, 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.

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, 2023 and 2022, \$0 and \$862, 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 21. Commitments and Contingencies

Contract commitments: The University has multiple construction contracts outstanding for various construction contracts in addition to the commitments as described in Note 7. Contract commitments outstanding at June 30, 2023, totaled \$19,581, of which \$10,591 was completed, leaving an outstanding commitment of \$8,990.

Stetson University, Inc.

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

Note 21. Commitments and Contingencies (Continued)

Contingencies: The University is party to certain litigation as of June 30, 2023 and 2022, 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 22. Subsequent Events

ASC 855, Subsequent Events, establishes general standards of accounting for and disclosure of events that occur after the date of the consolidated statements 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 consolidated statement of financial position 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 consolidated statements 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 30, 2023, (the date of the issuance of the accompanying consolidated financial statements) and have determined that their effects do not require disclosure.

Supplementary Information

Stetson University, Inc.

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

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

Stetson University, Inc.

**Supplementary Disaggregated Consolidated Statement of Financial Position
June 30, 2022
(In Thousands)**

	Current Funds	Loan Funds	Endowment and Similar Funds	Plant Funds	Total
Assets					
Cash and cash equivalents	\$ 17,876	\$ -	\$ 999	\$ 1	\$ 18,876
Short-term investments	27,255	-	-	8,125	35,380
Notes and account receivable, net	11,727	2,458	576	8	14,769
Contributions receivable, net	2,024	-	3,306	10,609	15,939
Investments	1,032	-	345,706	92	346,830
Funds held in trust by others	-	-	8,375	-	8,375
Property, plant and equipment, net	1,124	-	-	199,874	200,998
Other assets	6,567	-	-	-	6,567
Beneficial interest in affiliated entity	-	-	5,059	-	5,059
Total assets	\$ 67,605	\$ 2,458	\$ 364,021	\$ 218,709	\$ 652,793
Liabilities and Net Assets					
Liabilities:					
Accounts payable	\$ 4,735	\$ -	\$ 496	\$ 1,452	\$ 6,683
Accrued liabilities	8,473	-	-	533	9,006
Student deposits and other current liabilities	10,733	-	-	-	10,733
Postretirement benefits	3,943	-	-	-	3,943
Refundable government loan funds	-	3,090	-	-	3,090
Annuities payable	-	-	1,628	-	1,628
Long-term debt	-	-	-	142,591	142,591
Due to (from) other funds	9,409	(46)	(233)	(9,130)	-
Total liabilities	37,293	3,044	1,891	135,446	177,674
Net assets (deficit):					
Without donor restrictions	9,489	(586)	107,961	65,757	182,621
With donor restrictions	20,823	-	254,169	17,506	292,498
Total net assets	30,312	(586)	362,130	83,263	475,119
Total liabilities and net assets	\$ 67,605	\$ 2,458	\$ 364,021	\$ 218,709	\$ 652,793

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

Independent Auditor's Report

Board of Trustees
Stetson University, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Stetson University, Inc. (the University), which comprise the consolidated statements of financial position as of June 30, 2023, 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 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

RSM US LLP

Orlando, Florida
October 30, 2023