

Stetson University, Inc.

Consolidated Financial and Compliance Report
June 30, 2025

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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, 2025 and 2024, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2026 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RSM US LLP

Tampa, Florida
January 27, 2026

Stetson University, Inc.

**Consolidated Statements of Financial Position
June 30, 2025 and 2024
(In Thousands)**

	2025	2024
Assets		
Cash and cash equivalents	\$ 9,906	\$ 18,291
Restricted cash and cash equivalents	14,143	61,089
Short-term investments	11,254	15,724
Accounts, notes and other receivables, net allowance for credit losses (2025—\$949, 2024—\$922)	10,229	11,126
Contributions receivable, net	13,757	7,928
Investments	426,284	377,652
Funds held in trust by others	9,700	9,147
Property, plant and equipment, net	249,722	225,975
Other assets	8,186	8,475
Beneficial interest in affiliated entity	5,989	5,610
	<u>759,170</u>	<u>741,017</u>
Total assets	\$ 759,170	\$ 741,017
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 14,834	\$ 11,989
Accrued liabilities	9,438	8,852
Student deposits and other liabilities	11,075	11,811
Postretirement benefits	3,933	3,526
Refundable government loan funds	360	939
Annuities payable	1,555	1,632
Long-term debt	202,256	203,559
	<u>243,451</u>	<u>242,308</u>
Total liabilities	243,451	242,308
Commitments and contingencies (Note 20)		
Net assets:		
Without donor restrictions	175,410	177,690
With donor restrictions	340,309	321,019
	<u>515,719</u>	<u>498,709</u>
Total net assets	515,719	498,709
	<u>759,170</u>	<u>741,017</u>
Total liabilities and net assets	\$ 759,170	\$ 741,017

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statement of Activities Year Ended June 30, 2025 (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 \$115,656)	\$ 71,497	\$ -	\$ 71,497
Contributions of cash and other financial assets	2,713	10,419	13,132
Contributions of nonfinancial assets	-	101	101
Investment return, net	1,390	2	1,392
Endowment income used in operations	8,915	15,473	24,388
Sales of educational services	1,404	-	1,404
Sales and services of auxiliary enterprises	28,760	-	28,760
Government grants	4,021	-	4,021
Other	5,041	(181)	4,860
Net assets released from restrictions	25,114	(25,114)	-
Total operating revenues, gains (losses) and other support	148,855	700	149,555
Operating expenses:			
Educational and general:			
Instruction	60,708	-	60,708
Research	2,416	-	2,416
Public service	1,679	-	1,679
Academic support	17,014	-	17,014
Student services	34,715	-	34,715
Institutional support	22,471	-	22,471
Total education and general	139,003	-	139,003
Auxiliary enterprises	26,876	-	26,876
Total operating expenses	165,879	-	165,879
Change in net assets from operations	(17,024)	700	(16,324)
Nonoperating activities:			
Contributions of cash and other financial assets	250	8,279	8,529
Funds held in trust by others	-	876	876
Investment return, net	16,354	31,148	47,502
Endowment income used in operations	(8,915)	(15,473)	(24,388)
Change in value of split-interest agreements	-	56	56
Postretirement changes other than service costs	(325)	-	(325)
Other	199	(195)	4
Gain on bond refunding	701	-	701
Net assets released from restrictions	6,480	(6,480)	-
Change in beneficial interest in affiliated entity	-	379	379
Change in net assets from nonoperating activities	14,744	18,590	33,334
Change in net assets	(2,280)	19,290	17,010
Net assets:			
Beginning	177,690	321,019	498,709
Ending	\$ 175,410	\$ 340,309	\$ 515,719

See notes to consolidated financial statements.

Stetson University, Inc.

**Consolidated Statement of Activities
Year Ended June 30, 2024
(In Thousands)**

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues:			
Revenues, gains (losses) and other support:			
Tuition and fees (net of scholarships and fellowships of \$108,331)	\$ 66,585	\$ -	\$ 66,585
Contributions of cash and other financial assets	585	7,492	8,077
Contributions of nonfinancial assets	-	1,087	1,087
Investment return, net	1,551	-	1,551
Endowment income used in operations	7,849	15,404	23,253
Sales of educational services	1,546	-	1,546
Sales and services of auxiliary enterprises	27,456	-	27,456
Government grants	3,020	-	3,020
Other	4,207	(57)	4,150
Net assets released from restrictions	29,934	(29,934)	-
Total operating revenues, gains (losses) and other support	142,733	(6,008)	136,725
Operating expenses:			
Educational and general:			
Instruction	56,971	-	56,971
Research	2,471	-	2,471
Public service	1,439	-	1,439
Academic support	15,578	-	15,578
Student services	33,935	-	33,935
Institutional support	22,094	-	22,094
Total education and general	132,488	-	132,488
Auxiliary enterprises	24,710	-	24,710
Total operating expenses	157,198	-	157,198
Change in net assets from operations	(14,465)	(6,008)	(20,473)
Nonoperating activities:			
Contributions of cash and other financial assets	-	9,743	9,743
Funds held in trust by others	-	715	715
Investment return, net	12,292	28,236	40,528
Endowment income used in operations	(7,849)	(15,404)	(23,253)
Change in value of split-interest agreements	-	(19)	(19)
Postretirement changes other than service costs	261	-	261
Other	(4)	1,769	1,765
Net assets released from restrictions	7,805	(7,805)	-
Change in beneficial interest in affiliated entity	-	362	362
Change in net assets from nonoperating activities	12,505	17,597	30,102
Change in net assets	(1,960)	11,589	9,629
Net assets:			
Beginning	179,650	309,430	489,080
Ending	\$ 177,690	\$ 321,019	\$ 498,709

See notes to consolidated financial statements.

Stetson University, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024
(In Thousands)

	2025	2024
Cash flows from operating activities:		
Received for tuition, fees, room and board	\$ 95,990	\$ 89,903
Received from contributions	7,272	22,890
Received from governmental and non-governmental grants	5,633	3,466
Received from other sources	9,641	9,077
Payments for wages and benefits	(94,272)	(88,740)
Payments for services, supplies and other	(50,227)	(44,968)
Interest paid on debt	(8,645)	(6,298)
Net cash used in operating activities	(34,608)	(14,670)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(33,552)	(21,265)
Proceeds from sales of property, plant, and equipment	201	-
Proceeds from student loan collections	172	281
Purchases of investments	(163,663)	(119,992)
Proceeds from maturities and sales of investments	168,595	153,627
Net cash (used in) provided by investing activities	(28,247)	12,651
Cash flows from financing activities:		
Proceeds from contributions received for:		
Investment in endowment	2,683	3,208
Investment in plant and other	5,333	6,410
Investment subject to annuity agreement	-	356
	8,016	9,974
Other financing activities:		
Payments of federal student loans to government	(301)	(338)
Proceeds from long-term debt, net of issuance costs	32,599	66,185
Payments on long-term debt	(32,599)	(2,145)
Payments on annuities payable	(191)	(244)
	(492)	63,458
Net cash provided by financing activities	7,524	73,432
Net (decrease) increase in cash and cash equivalents and restricted cash and cash equivalents	(55,331)	71,413
Cash and cash equivalents and restricted cash and cash equivalents:		
Beginning	79,380	7,967
Ending	\$ 24,049	\$ 79,380
Cash and cash equivalents	\$ 9,906	\$ 18,291
Restricted cash and cash equivalents	14,143	61,089
	\$ 24,049	\$ 79,380
Supplemental schedule of noncash investing and financing activities:		
Capital expenditures included in accounts payable	\$ 5,936	\$ 3,553
Donated stock	\$ 2,290	\$ -

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 1. Nature of Activities and Significant Accounting Policies

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

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

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

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

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

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

Basis of accounting: The accompanying consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Revenues and support are reported when earned or unconditionally received. Expenses are recorded when purchases of materials or services are made. Revenues earned and expenses incurred applicable to the current period are accrued, while those applicable to future periods are deferred.

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

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties, such as governmental grant agreements. Board designations include designation for general endowment for future general operations or other purposes as determined in the future by the Board.

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

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

Stetson University, Inc.

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

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

Liquidity: In order to provide information about liquidity, assets are presented according to their ease of conversion to cash and liabilities are presented in order to their estimated maturity. Investments are classified based on the long-term intent of endowment; however, there is significant liquidity within these investments.

Cash and cash equivalents: The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash and cash equivalents, except for those short-term financial instruments included in the University's investment accounts.

The University maintains cash accounts with several large financial institutions. All accounts at each financial institution are guaranteed by the Federal Deposit Insurance Corporation up to \$250 per bank. The University has cash deposits that exceed the federally insured deposit amount. Management does not anticipate nonperformance by the financial institutions. The University also places its cash equivalents and short-term investments with high-quality institutions.

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

Short-term investments: Short-term investments include assets invested in a managed fund that holds highly liquid fixed-income securities, short-term U.S. Treasury securities and other short-term investments with varying maturities for an overall fund average of less than one year. All short-term investments are recorded at fair value.

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

Student loans receivable: Student loans receivable are reported net of any anticipated credit losses, and are included in accounts, notes and other receivables in the accompanying consolidated statements of financial position. Prior to fiscal year 2019, the University made uncollateralized loans to students based on financial need. Student loans were funded through the Federal Perkins Loan Program (Perkins Loan) or institutional resources. As of June 30, 2025 and 2024, student loans represented 0.11% and 0.16% of total assets, respectively. The University considers a student loan to be in default when it has been past due for a period of four months. Past due loans are subject to internal collection efforts for a period of six months and are subsequently placed with third-party collection agencies.

Stetson University, Inc.

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

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

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

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

The University separates student loan receivables into risk pools based on their aging and develops a loss rate for each risk pool. The allowance for credit losses is calculated using the unpaid balances of all defaulted loans and applying an allowance factor based on the length of time since the most recent payment. This calculation is performed for both the Perkins Loans and institutional loans. Perkins Loans have provisions for deferment, forbearance and cancellation of individual loans. The deferment and forbearance provisions of Perkins Loans are generally applied to institutional loans as well. Interest continues to accrue while the loan is placed with a collection agency.

At June 30, 2025 and 2024, the University evaluated the impact of current and future economic conditions on its historical loss rates for each risk pool and in management's judgement concluded that any impact to loss rates would be immaterial to both student accounts receivable and loans receivable. Therefore, no loss rates of any risk pool were adjusted for current or future economic conditions.

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

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

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

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

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

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

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

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

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

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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

The University initially values deferred gifts of cash at face value and those of equities at market value, then these values are actuarially discounted. Published IRS discount rates are employed to determine the net present value of both contributions and liabilities pertaining to these deferred giving arrangements.

Of the \$426,284 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2025, \$2,277 represent Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,555. Of the \$377,652 recorded as investments in the accompanying consolidated statement of financial position at June 30, 2024, \$2,182 represent Charitable Gift Annuities and Trusts, and the associated liabilities total \$1,632.

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. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their fair value on the accession date. Gains or losses on the deaccession of collection items are classified on the consolidated statements of activities as revenues without donor restriction or donor-restricted support depending on donor restrictions, if any, placed on the item at the time of accession. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the University is protecting and preserving essentially undiminished the service potential of the collection item. All of the University's collections are included in property, plant and equipment, and are not depreciated given they are considered inexhaustible because they have historical or cultural value that will be preserved. The University does allow for proceeds from the sale of deaccessioned items to be used for the direct care of the collection. The University defines direct care as investment in the collection by strengthening its usefulness through the purchase of new objects, the conservation of care of existing objects and financial support of the position of curator. The associated amount of these collections amount to \$3,790 at June 30, 2025 and 2024.

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, 2025 and 2024.

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

Stetson University, Inc.

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

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

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

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

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

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

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

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

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

Student deposits and other liabilities: Student deposits represent monies collected in advance for deposits and tuition, which amounted to \$2,095, \$2,328 and \$2,697 as of June 30, 2025 and 2024 and July 1, 2023, respectively. Other liabilities and other deferred revenues amounted to \$6,611 and \$6,854 as of June 30, 2025 and 2024, respectively.

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

Stetson University, Inc.

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

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

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

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

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

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

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

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

Stetson University, Inc.

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

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

Tuition revenue and discounts: Tuition is recognized in the fiscal year in which educational services are delivered and is not refundable except as noted in the provisions of the University's catalog. The portion of tuition revenue for the summer term that is earned subsequent to the years ended June 30, 2025 and 2024, 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.

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

Advertising costs: The costs of advertising are charged to operations in the year incurred. Advertising costs amounted to \$1,262 and \$1,231 for the years ended June 30, 2025 and 2024, respectively.

Functional expenses: Expenses are primarily reported in the consolidated statements of activities in categories recommended by the National Association of College and University Business Officers. The University's primary program services are instruction and research. Expenses reported as public service, academic support, student services, institutional support and auxiliary enterprises are incurred in support of those primary program services. The University's fundraising expenses were \$5,080 and \$4,870 for the years ended June 30, 2025 and 2024, 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 July 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments—Credit Losses (Topic 326)* (ASU 2025-05), which amends Topic 326 to allow all entities to elect a practical expedient to assume that current conditions as of the consolidated statement of financial position date do not change the remaining life of the asset in developing reasonable and support forecasts as part of estimated expected credit losses. Entities other than public business entities that elect the practical expedient are also permitted to make an accounting policy election to consider collection activity after the consolidated statement of financial position date when estimating expected credit losses. This ASU will be effective for annual reporting periods beginning after December 15, 2025. Early adoption is permitted. The University is currently assessing the impact of the standard.

Subsequent events: The University has evaluated subsequent events through January 27, 2026, the date on which the consolidated financial statements were issued.

Stetson University, Inc.**Notes to Consolidated Financial Statements
(Dollars in Thousands)****Note 2. Accounts, Notes and Other Receivables**

Accounts, notes and other receivables consist of the following at June 30, 2025 and 2024:

	2025	2024
Student accounts receivable (net of allowance 2025—\$907; 2024—\$781)	\$ 2,509	\$ 2,614
Student loans receivable (net of allowance 2025—\$42; 2024—\$141)	819	1,157
Grants receivable	1,523	2,242
Accrued interest receivable	341	486
Estate bequests	3,219	2,988
Other receivables	1,818	1,639
	<u>\$ 10,229</u>	<u>\$ 11,126</u>

Student accounts receivable as of July 1, 2023, was \$2,857, net of allowance of \$870. Student loans receivable as of July 1, 2023, was \$1,579, net of allowance of \$432.

Student accounts receivable allowance for credit losses consisted of the following activity for the years ended June 30, 2025 and 2024:

	2025	2024
Beginning of year	\$ (781)	\$ (870)
Provisions	(1,028)	-
Write-offs	902	89
End of year	<u>\$ (907)</u>	<u>\$ (781)</u>

Student loans receivable consists of the following at June 30, 2025 and 2024 and student loans receivable allowance for credit losses consisted of the following activity for the years ended June 30, 2025 and 2024:

	2025	2024
Federal Perkins Loan program	\$ 834	\$ 1,265
Institutional programs	27	33
	<u>861</u>	<u>1,298</u>
Less allowance for credit losses:		
Beginning of year	(141)	(432)
Other activity	77	278
Write-offs	22	13
End of year	<u>(42)</u>	<u>(141)</u>
Student loans receivable, net	<u>\$ 819</u>	<u>\$ 1,157</u>

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

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 \$360 and \$939 at June 30, 2025 and 2024, 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 2025 and 2024. The University will liquidate its Perkins loan program at the direction of the Department of Education. The liquidation will involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of the federal share of remaining Perkins loans cash assets to the Department of Education. Until liquidation is complete, the University is required to return the federal share of collections from students on an annual basis. Funds returned to the government from student collections and canceled loans amounted to \$301 and \$338 in fiscal years 2025 and 2024, respectively.

At June 30, 2025 and 2024, 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
2025	\$ 23	\$ 1	\$ 13	\$ 37
2024	\$ 49	\$ 9	\$ 57	\$ 115

Note 3. Contributions Receivable

Contributions receivable at June 30, 2025 and 2024, are expected to be realized in the following periods:

	2025	2024
One year or less	\$ 6,186	\$ 2,932
Between one year and five years	8,735	5,831
More than five years	272	11
	<u>15,193</u>	<u>8,774</u>
Less discount (rates ranging from 0.19% to 5.00%)	(1,104)	(624)
Less allowance	(332)	(222)
	<u>\$ 13,757</u>	<u>\$ 7,928</u>

Contributions receivable at June 30, 2025 and 2024, are classified as follows:

	2025	2024
Contributions to be held in perpetuity	\$ 967	\$ 1,116
Contributions restricted by time or purpose	12,790	6,812
	<u>\$ 13,757</u>	<u>\$ 7,928</u>

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 3. Contributions Receivable (Continued)

70% of the University's contributions receivable at both June 30, 2025 and 2024, were provided by six contributors. Written promises to give from members of the Board of Trustees and Officers of the University included as part of net contributions receivable as of June 30, 2025 and 2024, totaled \$7,354 and \$1,939, respectively.

Conditional promises to give, due to uncertainties with regard to their realizability and valuation, are not estimated by management and are recognized as contributions receivable if and when specific conditions are met. There were no conditional promises to give as of June 30, 2025 and 2024.

Note 4. Investments

A summary of investments by type at June 30, 2025 and 2024, is as follows:

	2025		2024	
	Cost	Fair Value	Cost	Fair Value
Money market	\$ 2,578	\$ 2,578	\$ 15,579	\$ 15,579
Equity securities	6,869	13,303	5,216	11,718
Equity mutual funds	146,167	250,156	141,897	218,114
Fixed income securities	20,653	20,760	17,146	16,092
Fixed income mutual funds	24,592	24,910	10,711	10,357
Alternative investments	87,511	113,238	83,820	104,699
Other investments	1,605	1,339	1,431	1,093
Total	\$ 289,975	\$ 426,284	\$ 275,800	\$ 377,652

Income and net realized gains on investments for the year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
By source of earnings:			
Income on endowment funds	\$ 2,230	\$ 4,793	\$ 7,023
Other investment income	3,047	85	3,132
Net realized gains on endowment funds	907	3,184	4,091
	\$ 6,184	\$ 8,062	\$ 14,246
By operating and non-operating:			
Income and realized gains on investments—net from operating activity	\$ 1,095	\$ 2	\$ 1,097
Income and realized gains on investments— net from non-operating activities	5,089	8,060	13,149
	\$ 6,184	\$ 8,062	\$ 14,246

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, 2024, are as follows:

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

Investment income is net of management fees and expenses of \$1,908 and \$1,903 for the years ended June 30, 2025 and 2024, respectively.

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

	Year Ended June 30, 2025			
	Cost	Market Value	Net Gain (Loss)	Market Value Per Share
End of period	\$ 260,234	\$ 395,493	\$ 135,259	\$ 17.59
Beginning of period	266,449	367,311	<u>100,862</u>	16.51
Net change in unrealized appreciation for the period			34,397	
Net realized gain for the period			<u>2,806</u>	
Total net gain			<u>\$ 37,203</u>	
	Year Ended June 30, 2024			
	Cost	Market Value	Net Gain	Market Value Per Share
End of period	\$ 266,449	\$ 367,311	\$ 100,862	\$ 16.51
Beginning of period	272,749	349,060	<u>76,311</u>	16.10
Net change in unrealized appreciation for the period			24,551	
Net realized loss for the period			<u>9,301</u>	
Total net gain			<u>\$ 33,852</u>	

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 4. Investments (Continued)

Earnings on the pooled investment funds include dividends and interest income. For the years ended June 30, 2025 and 2024, the earnings were \$2,806 and \$9,301, respectively, or \$0.31 and \$0.26 per share, respectively, as computed on ending shares.

Note 5. Endowment

The University's endowment consists of 751 and 724 individual funds as of June 30, 2025 and 2024, respectively, established for a variety of purposes. These resources are recorded as net assets without donor restrictions and net assets with donor restrictions, as described below.

Interpretation of relevant law: The University follows the provisions of FASB ASC 958-205-50 subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act and Enhanced Disclosures for all Endowment Funds.

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

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

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

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, 2025:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 126,596	\$ 300	\$ 126,896
Donor-restricted endowment funds:			
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	-	192,725	192,725
Accumulated investment gains	-	87,607	87,607
	<u>\$ 126,596</u>	<u>\$ 280,632</u>	<u>\$ 407,228</u>

Endowment net assets were comprised of the following as of June 30, 2024:

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

The Board of Trustees reclassified a gift with donor restrictions as an endowment to spend the earnings on the designated purpose as of June 30, 2025 and 2024, in the amount of \$300 and \$3,350, respectively.

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, 2025, are as follows:

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	Total
Endowment net assets, beginning	\$ 116,825	\$ 189,995	\$ 75,148	\$ 265,143	\$ 381,968
Investment return:					
Investment income	2,229	-	4,793	4,793	7,022
Realized gain	907	-	3,184	3,184	4,091
Unrealized gain	11,141	-	23,087	23,087	34,228
Total investment return	14,277	-	31,064	31,064	45,341
Contributions	-	2,648	-	2,648	2,648
Distributed earnings	(8,915)	-	(15,473)	(15,473)	(24,388)
Other changes:					
Transfers to create board-designated funds	527	-	967	967	1,494
Transfer due to change in donor restrictions	-	82	-	82	82
Release of restrictions on board-designated funds	4,028	-	(4,028)	(4,028)	-
Other endowment activity	(146)	-	229	229	83
Endowment net assets, ending	\$ 126,596	\$ 192,725	\$ 87,907	\$ 280,632	\$ 407,228

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

	With Donor Restrictions				
	Without Donor Restrictions	Original Gift Amount	Accumulated Earnings and Other	Total With Donor Restrictions	Total
Endowment net assets, beginning	\$ 111,643	\$ 184,912	\$ 58,953	\$ 243,865	\$ 355,508
Investment return:					
Investment income	1,786	-	3,937	3,937	5,723
Realized loss	2,967	-	7,170	7,170	10,137
Unrealized gain	7,533	-	17,098	17,098	24,631
Total investment return	12,286	-	28,205	28,205	40,491
Contributions	-	3,083	-	3,083	3,083
Distributed earnings	(7,849)	-	(15,404)	(15,404)	(23,253)
Other changes:					
Transfers to create board-designated funds	11	-	8,101	8,101	8,112
Transfer due to change in donor restrictions	-	2,000	-	2,000	2,000
Release of restrictions on board-designated funds	5,061	-	(5,061)	(5,061)	-
Other endowment activity	(4,327)	-	354	354	(3,973)
Endowment net assets, ending	\$ 116,825	\$ 189,995	\$ 75,148	\$ 265,143	\$ 381,968

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 5. Endowment (Continued)

Transfers to create board-designated funds: Transferred funds from a gift with donor restrictions to an endowment with donor restrictions per the Board of Trustees' direction to provide scholarships and other operational support as of June 30, 2025 and 2024, in the amount of \$967 and \$8,101, respectively.

Transfer due to change in donor restrictions: Transferred funds from a donor restricted gift to an endowment with donor restrictions per donor's request to provide support for scholarships and building maintenance and support as of June 30, 2025 and 2024, in the amount of \$82 and \$2,000, respectively.

Release of restrictions on board designated funds: The amount of spending that has been identified and satisfied for the purpose of the donor-imposed restriction that was set at the time the Board designated this fund as an endowment. The amount released pertains mostly to scholarships and operating support as of June 30, 2025 and 2024, in the amount of \$4,028 and \$5,061, respectively.

Other endowment activity: The amount of spending mostly pertains to Board-designated endowment for building renovations as of June 30, 2025 and 2024, in the amount of \$83 and \$3,973, respectively.

Contributions receivable, funds held in trust by others and beneficial interest in affiliated entity: Endowment contributions receivable, funds held in trust by others and beneficial interest in affiliated entity are not included in the above net asset balances. Net assets with donor restrictions attributable to endowment pledges as of June 30, 2025 and 2024, amount to \$971 and \$1,116, respectively, (see Note 3). Endowed net assets attributable to funds held in trust by others as of June 30, 2025 and 2024, amount to \$8,890 and \$8,373, respectively, (see Note 6). Net assets with donor restrictions attributable to beneficial interest in affiliated entity as of June 30, 2025 and 2024, amount to \$5,989 and \$5,610, 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, 2025, deficiencies of this nature exist in 8 donor-restricted endowment funds, which together have an original gift value of \$3,015, a current fair value of \$2,433 and a deficiency of \$582. As of June 30, 2024, deficiencies of this nature exist in 23 donor-restricted endowment funds, which together have an original gift value of \$11,577, a current fair value of \$10,632 and a deficiency of \$945. 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 2025 and 2024, 4.5% was applied to the 12-quarter moving average. In addition, during fiscal years 2025 and 2024, the Board approved an increase to these rates to support operations. This additional spending amounted to \$8,068 in fiscal year 2025, resulting in an increase of 3.0% to the spending rate, and \$7,185 in fiscal year 2024, resulting in an increase of 3.0% 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 \$151 and \$735 from underwater endowment funds during 2025 and 2024, 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, 2025 and 2024, amounted to \$9,700 and \$9,147, respectively. Included in these balances are various Charitable Remainder Unitrusts and Annuity Trusts that amount to \$810 and \$774 at June 30, 2025 and 2024, respectively.

Note 7. Property, Plant and Equipment

Property, plant and equipment at June 30, 2025 and 2024, is summarized as follows:

	2025	2024
Land	\$ 9,427	\$ 9,099
Land improvements, building and facilities	354,370	340,888
Furniture and equipment	43,381	42,425
Library books and collections	29,414	29,086
Construction-in-progress	30,923	9,569
	<u>467,515</u>	<u>431,067</u>
Less accumulated depreciation and amortization	(217,793)	(205,092)
	<u>\$ 249,722</u>	<u>\$ 225,975</u>

Depreciation expense relating to property, plant and equipment was \$13,222 and \$12,524 for the years ended June 30, 2025 and 2024, respectively.

Interest capitalized during the years ended June 30, 2025 and 2024, was \$1,042 and \$426, 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, 2025 and 2024, consists of the following:

	2025	2024
First Year Residence Hall	\$ 25,897	\$ 2,376
Hully Tower Renovation	2,026	-
Edmund Center Expansion & Renovation Phase 2	1,419	-
Presser Hall Courtyard	699	-
Edmund Center Expansion & Renovation Phase 1	-	3,485
Elizabeth Hall ADA Project	-	1,941
Other projects	882	1,767
	<u>\$ 30,923</u>	<u>\$ 9,569</u>

Estimated costs to complete these projects at June 30, 2025 and 2024, amount to \$45,422 and \$8,421, respectively.

The University recognized \$3,205 and \$3,321 for rental income on various facilities during the years ended June 30, 2025 and 2024, 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, 2025 and 2024, consists of the following:

	2025	2024
Stetson University Volusia County Educational Facilities Authority Educational Facilities Revenue Bonds of 2025—payable in annual principal and interest payments ranging from \$2,625 to \$3,917, including annual principal amounts of \$2,140 to \$3,605 through 2036, and semiannual interest amounts at a fixed rate of 5.00%, collateralized by the University’s tuition revenues. The Series 2025 bonds were issued at a premium resulting in an effective interest rate of 4.19%.	\$ 31,560	\$ -
Educational Facilities Revenue Bonds of 2024—payable in annual interest payments ranging from \$3,254 to \$3,281 through 2028, and annual principal and interest payments ranging from \$4,501 to \$4,504, beginning 2029, through 2044, and from 2045 to 2048 annual interest payments ranging from \$1,356 to \$1,804. 2049 will consist of principal and interest of \$16,185, followed by annual interest payments ranging from \$438 to \$1,017, from 2050 to 2053, and annual principal and interest payment of \$19,590 in 2054. Semiannual interest amounts at a fixed rate from 5.00% to 5.250%, collateralized by the University’s tuition revenues.	63,330	63,330

(Continued)

Stetson University, Inc.

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

Note 8. Long-Term Debt (Continued)

	2025	2024
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 \$2,422 to \$6,274, including annual principal amounts of \$3,850 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%.	48,435	80,415
	196,325	196,745
Other notes payable	138	138
	196,463	196,883
Debt issuance costs	(1,965)	(1,569)
Unamortized premium on bonds payable	7,758	8,245
	\$ 202,256	\$ 203,559

As of June 30, 2025 and 2024, the University had a revolving line of credit, effective through February 2027, that could provide up to \$10,000 for the operations and maintenance of the University. Borrowings under this line of credit would bear interest at the Secured Overnight Financing Rate (SOFR) plus 1.15%, which automatically adjusts on a monthly basis. There has been no use of this revolving line of credit since its inception in March of 2024.

Required reductions of the 2015, 2019, 2024 and 2025 bonds for the fiscal years following 2025, are as follows:

	Principal	Interest	Total Debt Service
Years ending June 30:			
2026	\$ 2,140	\$ 9,648	\$ 11,788
2027	2,440	9,344	11,784
2028	2,560	9,222	11,782
2029	3,910	9,094	13,004
2030	4,115	8,898	13,013
Thereafter	181,160	138,793	319,953
	\$ 196,325	\$ 184,999	\$ 381,324

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

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 \$1,294 and \$1,472 for the years ended June 30, 2025 and 2024, respectively.

Supplemental consolidated cash flow information related to leases is as follows for the years ended June 30, 2025 and 2024:

	2025	2024
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash outflows—payments on operating leases	\$ 438	\$ 430
ROU assets obtained in exchange for new lease obligations:		
Operating leases	\$ 76	\$ 114

Supplemental consolidated statement of financial position information related to leases is as follows as of June 30, 2025 and 2024:

	2025	2024
Operating leases:		
Operating lease right-of-use assets*	\$ 2,395	\$ 2,670
Operating lease liabilities, current	\$ 425	\$ 334
Operating lease liabilities, non-current	1,944	2,294
Total operating lease liabilities**	\$ 2,369	\$ 2,628
Weighted-average remaining lease term—operating leases	11.1	12.5 years
Weighted-average discount rate—operating leases	3.9%	3.8%

* This is included in other assets

** This is included in accrued liabilities

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 9. Operating Leases (Continued)

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, 2025:

2026	\$	425
2027		326
2028		309
2029		289
2030		293
Thereafter		1,490
Minimum future rental payments		<u>3,132</u>
Less amount representing interest		<u>(763)</u>
Present value of net minimum lease payments	\$	<u><u>2,369</u></u>

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, 2025 and 2024, amounted to \$5,642 and \$5,283, respectively.

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

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

Stetson University, Inc.

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

Note 10. Retirement and Postretirement Benefits (Continued)

The following assumptions were used to calculate the liability as of June 30, 2025 and 2024:

	2025	2024
Discount rate	5.10%	5.20%
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:		
2026	\$	318
2027		323
2028		345
2029		360
2030		367
2031-2034		1,786

Note 11. Related-Party Transactions

During the 2025 and 2024 fiscal years, the University paid \$4,245 and \$4,385, respectively, for insurance brokerage services and coverages provided by Brown & Brown, Inc., for which trustee J. Hyatt Brown is the chairman. There was \$3.80 and \$3.90 million, respectively, in outstanding payments owed to this firm as of June 30, 2025 and 2024. Contributions from members of the Board of Trustees and Officers of the University for the years ended June 30, 2025 and 2024, totaled \$12,503 and \$4,483, respectively.

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, 2025 and 2024, was \$379 and \$362, respectively. The University's interest in the net assets for the Foundation as of June 30, 2025 and 2024, amounted to \$5,989 and \$5,610, respectively.

Stetson University, Inc.

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

Note 13. Net Assets with Donor Restrictions

Net assets with donor restrictions were comprised of the following at June 30, 2025 and 2024:

	June 30, 2025		
	Restricted by Purpose and/or Time	To be Held in Perpetuity	Total
Scholarships	\$ 44,288	\$ 101,637	\$ 145,925
Programs	66,472	101,618	168,090
Capital	8,386	-	8,386
Trusts and annuities—time restricted	1,220	312	1,532
Estate bequest receivable	319	2,300	2,619
Contributions receivable	12,786	971	13,757
	<u>\$ 133,471</u>	<u>\$ 206,838</u>	<u>\$ 340,309</u>

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

Net assets released from restrictions in the years ended June 30, 2025 and 2024, are comprised of \$25,114 and \$29,934, respectively, due to satisfaction of program restrictions and scholarship awards, and \$6,480 and \$7,805, respectively, due to acquisition of capital assets that were placed in service.

Note 14. Fair Value Measurements

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

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

Stetson University, Inc.

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

Note 14. Fair Value Measurements (Continued)

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, 2025:

Description	Fair Value	Level 1	Level 2	Level 3
		Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs
Restricted cash and cash equivalents				
Money market funds	\$ 14,143	\$ 14,143	\$ -	\$ -
Restricted cash and cash equivalents total	\$ 14,143	\$ 14,143	\$ -	\$ -
Short-term investments:				
Fixed income mutual funds:				
Multi-strategy	\$ 11,254	\$ 11,254	\$ -	\$ -
Short-term investments total	\$ 11,254	\$ 11,254	\$ -	\$ -
Funds held in trust by others	\$ 9,700	\$ -	\$ -	\$ 9,700
Investments:				
Money market funds	\$ 2,578	\$ 2,578	\$ -	\$ -
Equity securities:				
U.S. large cap	4,186	4,186	-	-
U.S. mid/small cap	8,305	8,305	-	-
International developed	812	812	-	-
Equity mutual funds:				
U.S. large cap	185,482	185,482	-	-
U.S. mid/small cap	12,934	12,934	-	-
International developed	44,138	44,138	-	-
Emerging markets	7,414	7,414	-	-
Multi-strategy	188	188	-	-
Fixed income securities:				
U.S. Government	20,270	19,725	545	-
Corporate	460	-	460	-
Global fixed	30	-	30	-
Fixed income mutual funds:				
U.S. Government	227	227	-	-
Corporate	806	806	-	-
Multi-strategy	23,877	23,877	-	-
Other investments	1,339	474	865	-
Fair value hierarchy total	313,046	\$ 311,146	\$ 1,900	\$ -
Alternative investments: (*)				
Hedge fund of funds	56,739			
Private equity funds	23,106			
Private equity fund of funds	33,393			
Investments total	\$ 426,284			

(*) 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, 2024:

Description	Fair Value	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs
Restricted cash and cash equivalents				
Money market funds	\$ 61,089	\$ 61,089	\$ -	\$ -
Restricted cash and cash equivalents total	\$ 61,089	\$ 61,089	\$ -	\$ -
Short-term investments:				
Fixed income mutual funds:				
Multi-strategy	\$ 15,724	\$ 15,724	\$ -	\$ -
Short-term investments total	\$ 15,724	\$ 15,724	\$ -	\$ -
Funds held in trust by others	\$ 9,147	\$ -	\$ -	\$ 9,147
Investments:				
Money market funds	\$ 15,579	\$ 15,579	\$ -	\$ -
Equity securities:				
U.S. large cap	3,208	3,208	-	-
U.S. mid/small cap	7,501	7,501	-	-
International developed	1,009	1,009	-	-
Equity mutual funds:				
U.S. large cap	163,750	163,750	-	-
U.S. mid/small cap	10,351	10,351	-	-
International developed	37,361	37,361	-	-
Emerging markets	6,506	6,506	-	-
Multi-strategy	146	146	-	-
Fixed income securities:				
U.S. Government	14,195	-	14,195	-
Corporate	1,868	-	1,868	-
Global fixed	29	-	29	-
Fixed income mutual funds:				
U.S. Government	230	230	-	-
Corporate	627	627	-	-
Multi-strategy	9,500	9,500	-	-
Other investments	1,093	228	865	-
Fair value hierarchy total	272,953	\$ 255,996	\$ 16,957	\$ -
Alternative investments: (*)				
Hedge fund of funds	51,642			
Private equity funds	22,526			
Private equity fund of funds	30,531			
Investments total	\$ 377,652			

(*) 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, 2025 and 2024:

	2025	2024
Balance, at beginning of year	\$ 9,147	\$ 8,698
Actuarial and present value adjustments	553	449
Balance, at end of year	<u>\$ 9,700</u>	<u>\$ 9,147</u>

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

Note 15. Net Asset Value

The following table sets forth a summary of the University's investments with a reported NAV or equivalent as of June 30, 2025 and 2024:

	Fair Value		Redemption Frequency (if Currently Eligible)	Redemption Frequency (if Currently Eligible)	Unfunded Commitments at June 30, 2025
	2025	2024			
Hedge fund of funds (a)	\$ 24,078	\$ 21,756	Semi-annual	95 days	\$ -
Hedge fund of funds (b)	20,632	19,030	Quarterly	100 days	-
Hedge fund of funds (b)	12,029	10,856	Quarterly	65 days	-
Private equity funds (c)	2,480	2,733	Quarterly	60 days	-
Private equity funds (d)	20,626	19,793	Quarterly	90 days	-
Emerging markets funds (e)	-	-	Twice Monthly	15 days	-
Private equity fund of funds (f)	7,311	8,463	Not Eligible	Not Eligible	2,014
Private equity fund of funds (g)	26,082	22,068	Not Eligible	Not Eligible	15,850
	<u>\$ 113,238</u>	<u>\$ 104,699</u>			<u>\$ 17,864</u>

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

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

Note 15. Net Asset Value (Continued)

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

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

Tuition revenue and discounts: Tuition and fees for instruction, net of scholarships and fellowships, and sales of educational services, are substantially billed and collected prior to the end of each semester. Revenues are earned and recognized over the course of each semester as educational services are delivered. Accounts, notes and other receivables from students from services provided from contracts are disclosed in Note 2 of the consolidated financial statements. The portion of tuition revenue for the summer terms that is earned subsequent to the years ended June 30, 2025 and 2024, 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, 2025 and 2024, is as follows:

	2025	2024
Undergraduate (net of scholarships and fellowships 2025—\$93,392; 2024—\$86,788)	\$ 34,485	\$ 33,984
College of Law (net of scholarships and fellowships 2025—\$20,666; 2024—\$20,098)	30,588	26,552
Graduate (net of scholarships and fellowships 2025—\$1,598; 2024—\$1,445)	6,424	6,049
Total tuition and fees (net of scholarships and fellowships 2025—\$115,656; 2024—\$108,331)	<u>\$ 71,497</u>	<u>\$ 66,585</u>

Stetson University, Inc.

Notes to Consolidated Financial Statements
(Dollars in Thousands)

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

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

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

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

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

Disaggregated information concerning sales and services of auxiliary enterprises by type of goods and/or service for the years ended June 30, 2025 and 2024, is as follows:

	2025	2024
Residence halls	\$ 18,150	\$ 17,583
Dining services	9,539	8,646
Bookstore commissions	205	305
Other	866	922
Total sales and services of auxiliary enterprises	<u>\$ 28,760</u>	<u>\$ 27,456</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, 2025 and 2024, contributed nonfinancial assets recognized within the consolidated statements of activities included:

	2025	2024
Operating expenses:		
Professional services	\$ 66	\$ 60
Reference material and archives	12	13
Equipment	8	38
Food	6	11
Musical instruments	3	1
Travel expenses	3	-
Artwork	-	540
Real estate	-	420
Other	3	4
	<u>\$ 101</u>	<u>\$ 1,087</u>

Contributed nonfinancial assets for the fiscal year ended June 30, 2025, are as follows:

	Revenue/Expense Recognized	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Professional Services	\$ 66	College of Law & Athletics	Pro-Bono Agreement for consulting of legislative monitoring and advocacy services & Grading work at Golf Facility	Fair value estimated on the basis of estimates of wholesale values that would be received for acquiring similar services in the United States.
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.
Equipment	8	Athletics	Rowing scull, sliders and containers for Rowing Teams	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Food	6	Alumni events, and Athletics	To be used for student, alumni, or athletic events	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Musical instruments	3	School of Music	Violin 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.
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.
Other	3	Athletics	Miscellaneous items and gift baskets auctioned at Baseball Golf Tournament event	Fair value estimated on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

Stetson University, Inc.

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

Note 17. Contributed Nonfinancial Assets (Continued)

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

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

Note 18. Liquidity and Funds Available

The following table reflects the University's financial assets as of June 30, 2025 and 2024, 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, 2025 and 2024, board designated investments without donor restrictions of \$126,596 and \$116,825, respectively, could be released and drawn upon if the board approves such action.

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

Note 18. Liquidity and Funds Available (Continued)

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. The University also has an unsecured \$10,000 line of credit, which it could draw upon in the event of an anticipated liquidity need (see Note 8).

	2025	2024
Financial assets:		
Cash and cash equivalents	\$ 9,906	\$ 18,291
Restricted cash and cash equivalents	14,143	61,089
Short-term investments	11,254	15,724
Accounts, notes, contributions and other receivables	23,986	19,054
Investments	426,284	377,652
Funds held in trust by others	9,700	9,147
Financial assets, at year-end	<u>495,273</u>	<u>500,957</u>
Less those unavailable for general expenditure within one year, due to:		
Reserved for self funded benefit plan	(1,282)	(1,036)
Proceeds from issuance of bonds, held for long-term investment	(14,143)	(61,089)
Contributions receivable for the endowment	(971)	(1,112)
Estate bequest receivable for the endowment	(2,300)	(1,900)
Other contributions and accounts receivable collectible beyond one year	(8,201)	(5,629)
Perpetual and term endowments and accumulated earnings	(280,332)	(261,793)
Investments held in trust	(23,530)	(3,522)
Investments in board designated endowments	(126,896)	(120,175)
Investments and perpetual trusts held by others	(9,700)	(9,147)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 27,918</u>	<u>\$ 35,554</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, 2025:

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Facilities Operation and Maintenance	Auxiliary Enterprises	Total Expense
Academic salaries and wages	\$ 30,927	\$ 354	\$ 26	\$ 725	\$ -	\$ -	\$ -	\$ -	\$ 32,032
Staff salaries and wages	4,480	371	213	3,779	13,610	12,552	6,338	196	41,539
Employee benefits	10,550	144	20	1,276	4,107	3,437	2,003	65	21,602
Utilities, alterations and repairs	58	-	-	181	245	286	6,729	1,936	9,435
Insurance	345	-	10	117	622	2,715	91	587	4,487
Employee development and travel	1,965	96	96	563	2,914	276	51	7	5,968
Supplies and services	3,689	1,451	942	6,622	8,912	1,628	1,064	6,407	30,715
Depreciation	-	-	-	-	-	-	12,590	632	13,222
Interest	-	-	-	-	-	-	3,822	3,057	6,879
	52,014	2,416	1,307	13,263	30,410	20,894	32,688	12,887	165,879
Facilities operation and maintenance	8,694	-	372	3,751	4,305	1,577	(32,688)	13,989	-
Total expenses	\$ 60,708	\$ 2,416	\$ 1,679	\$ 17,014	\$ 34,715	\$ 22,471	\$ -	\$ 26,876	\$ 165,879

Functional expenses by natural classification as of June 30, 2024:

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

Stetson University, Inc.

Notes to Consolidated Financial Statements (Dollars in Thousands)

Note 20. Commitments and Contingencies

Contract commitments: The University has multiple construction contracts outstanding for various construction contracts in addition to the commitments as described in Note 7. Contract commitments outstanding at June 30, 2025, totaled \$42,475, of which \$14,177 was completed, leaving an outstanding commitment of \$28,298.

Contingencies: The University is party to certain litigation as of June 30, 2025 and 2024, 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.

Executive orders: Beginning in January 2025, President Trump signed several executive orders (EOs) ordering the pause or termination of federal assistance for programs that do not align with the new administration's policies. The Administration tasked federal departments with evaluating all federal programs they administer, to determine if the funding being provided falls under any of the EOs. During the fiscal year ended June 30, 2025, the University received approximately \$58,000 of federal funding which included approximately \$55,000 for student financial assistance. Approximately \$55,000 of the student financial assistance was credited directly to the student's account and is not recognized as revenue in the consolidated statement of activities. As of the date of this report, management has not received any communications from its federal funding agencies indicating the termination of or significant decline in federal funding however, there continues to be uncertainty surrounding future federal funding.

Note 21. Financial Responsibility Ratio

The Department of Education's financial responsibility ratio requirements (34 CFR 668.172) requires that certain information necessary to calculate the financial responsibility ratio be provided and referenced to the consolidated financial statements or the footnotes. The schedule requires presentation of property and equipment, net both pre-implementation of the requirements and post-implementation. The University's pre-implementation of property and equipment (as of June 30, 2019), less disposals and accumulated depreciation through June 30, 2025, is \$203,781. The University's post-implementation property and equipment, less disposals and accumulated depreciation through June 30, 2025, is \$15,018, excluding construction-in-progress of \$30,923. All post-implementation property and equipment is without outstanding debt for acquisition. The University's pre-implementation debt obtained for long-term purposes through June 30, 2025 is \$52,263. The University's post-implementation debt obtained for long-term purposes through June 30, 2025, is \$149,993.

Stetson University, Inc.

**Schedule of Expenditures of Federal Awards and State Financial Assistance
Year Ended June 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Student Financial Assistance Cluster:				
U.S. Department of Education:				
Federal Perkins Loan Program, beginning balance	84.038		\$ -	\$ 1,265,000
Federal Perkins Loan Program, new loans	84.038		-	-
Total Federal Perkins Loan Program			-	1,265,000
Federal Pell Grant Program	84.063		-	6,710,733
Federal Supplemental Educational Opportunity Grant	84.007		-	590,103
Federal Work-Study Program	84.033		-	632,472
Federal Direct Student Loans	84.268		-	47,160,764
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379		-	58,466
Total Student Financial Assistance Cluster			-	56,417,538
Total Department of Education			-	56,417,538
Research and Development Cluster:				
Department of Justice:				
Grants to Reduce Domestic Violence, Dating Violence, Sexual Assault and Stalking on Campus	16.525		-	132,098
Total Department of Justice			-	132,098
National Science Foundation:				
Passed through University of South Florida:				
NSF Technology, Innovation, and Partnerships	47.084	Unknown	-	71,387
Biological Sciences	47.074	Unknown	-	137,225
Education and Human Resources	47.076		-	184,447
Education and Human Resources	47.076		-	35,875
Total Education and Human Resources			-	220,322
Computer and Information Science and Engineering	47.070		-	174,543
Computer and Information Science and Engineering	47.070		403,597	403,597
Passed through East Central Florida Regional Planning Council				
Computer and Information Science and Engineering	47.070	Unknown	58,792	58,792
Passed through Embry Riddle Aeronautical University				
Computer and Information Science and Engineering	47.070	Unknown	45,048	45,048
Total Computer and Information Science and Engineering			507,437	681,980
Total National Science Foundation			507,437	1,110,914
Department of Agriculture:				
Passed through Alachua Conservation Trust:				
Regional Conservation Partnership Program	10.932	Unknown	-	89,633
Total Department of Agriculture			-	89,633
Department of Commerce:				
Passed through University of Florida:				
Sea Grant Support	11.417	SUB00003204	-	38,139
Total Department of Commerce			-	38,139
Total Research and Development Cluster			\$ 507,437	\$ 1,370,784

(Continued)

Stetson University, Inc.

**Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
Year Ended June 30, 2025**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
Department of the Interior:				
Passed through Atlantic Center for the Arts, Inc.				
Youth and Veteran Organizations Conservation Activities	15.931	P20AC00483	\$ -	\$ 17,200
Cooperative Research and Training Programs - Resources of the National Park System	15.945	Unknown	-	5,490
Total Department of the Interior			-	22,690
Department of Health and Human Services:				
Passed through Behavioral Health Workforce Education and Training Program:				
Mental and Behavioral Health Education and Training Grants	93.732	21M01HP41991	-	239,144
Total Department of Health and Human Services			-	239,144
United States Department of Homeland Security:				
COVID-19: Disaster Grants – Public Assistance (Presidentially Declared Disaster)	97.036		-	5,651
Total United States Department of Homeland Security			-	5,651
Total Expenditures of Federal Awards			\$ 507,437	\$ 58,055,807

State Grantor/Pass-Through Grantor/Project Title	State CSFA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total State Expenditures
Florida Department of Education:				
Florida Academic Scholars Awards				
Florida Academic Scholars Awards	48.059		\$ -	\$ 1,362,948
Florida Medallion Scholars Award Program	48.059		-	1,107,594
Total Florida Bright Futures Scholarship Program			-	2,470,542
Florida Resident Access Grant	48.064		-	4,439,075
Scholarships for Children and Spouses of Deceased or Disabled Veterans and Service Members	48.055		-	213,743
Florida Work Experience Project (FWEP)	48.053		-	7,457
Florida Private Student Assistance Grant (FSAG)	48.054		-	984,823
Total State of Florida Student Financial Assistance			-	8,115,640
Stetson College of Law Veterans Advocacy Clinic	48.999		-	391,413
Total Florida Department of Education			-	8,507,053
Department of Highway Safety and Motor Vehicles:				
Stetson University License Plate Project	76.060		-	72,936
Department of Economic Opportunity:				
Passed through East Central Florida Regional Planning Committee:				
Local Economic Development Initiatives	40.012	Unknown	-	146
Department of Environmental Protection:				
Passed through East Central Florida Regional Planning Committee:				
Resilient Florida Programs – Osceola County	37.098	Unknown	-	42,090
Resilient Florida Programs – Seminole County	37.098	Unknown	-	25,673
Resilient Florida Programs – Satellite Beach	37.098	22PLN03	-	3,405
Resilient Florida Programs – Lake County	37.098	Unknown	-	1,396
Passed through Tampa Planning Council:				
Resilient Florida Programs – Citrus County	37.098	Unknown	-	15,000
Resilient Florida Programs – Hernando County	37.098	Unknown	-	15,000
Resilient Florida Programs – Tampa Bay	37.098	Unknown	-	54,064
Total Expenditures of State Awards			\$ -	\$ 8,736,763

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

Stetson University, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 1. Basis of Presentation

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

For the Federal Work Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG), the expenditures listed are only the federal share. The University's match was \$187,766 for FWS and \$196,701 for FSEOG.

Also, the grants reflect transactions for the June 30, 2025, fiscal year irrespective of the year of grant award and, accordingly, the Schedule does not include a full year's activity for grants awarded or terminated on dates not coinciding with the aforementioned fiscal year.

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

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and Chapter 10.650, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

Note 3. Indirect Cost Rate

Expenditures include indirect costs, related primarily to facilities operations and maintenance and general divisional and departmental administrative services, which are allocated to direct cost objectives (including federal awards) based on negotiated formulas commonly referred to as facilities and administrative cost rates. Facilities and administrative cost rates allocated to such awards for the year ended June 30, 2025, were based on fixed rates negotiated with the respective federal agencies. As such, the University has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance for awards received prior to October 1, 2024 or the 15% de minimis rate for awards received on or after October 1, 2024.

Stetson University, Inc.

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 4. Federal Perkins Loan Program

The Federal Perkins Loan program listed below is administered directly by the University and balances and transactions relating to this program are included in the University's basic consolidated financial statements. The balance of loans outstanding at June 30, 2025, was:

<u>Cluster/Program Title</u>	<u>Assistance Listing Number</u>	<u>Amount Outstanding</u>
Student Financial Assistance Cluster		
Federal Perkins Loan Program	84.038	<u>\$ 834,000</u>

The Federal Perkins Loan Program expired September 30, 2017, and fiscal year 2018 was the last year that the University could award Perkins loans based on action established by the Department of Education. Accordingly, the University did not award any Perkins loans in fiscal year 2025. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education. The liquidation will likely involve the University assigning all eligible outstanding loans to the Department of Education and the remittance of federal share of remaining Perkins cash assets to the Department of Education. Until liquidation is complete, the University is required to return the federal share of collections from students on an annual basis.

Note 5. Federal Direct Loan Program

The University distributed \$47,160,764 of federally guaranteed loans to students of the University through the Federal Direct Loan program (Assistance Listing Number 84.268), which includes Direct Subsidized and Unsubsidized Loans, and Direct Parent Loans for Undergraduate Students. These distributions and the related funding sources are not included in the University's consolidated financial statements.

**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 University's consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements), and have issued our report thereon dated January 27, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

The University's Response to Findings

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

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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Tampa, Florida
January 27, 2026

**Report on Compliance for Each Major Federal Program and Major State Project;
and Report on Internal Control Over Compliance Required By the Uniform Guidance and
Chapter 10.650, Rules of the Auditor General of the State of Florida; and Report on Schedule of
Expenditures of Federal Awards and State Financial Assistance Required by the Uniform
Guidance and Chapter 10.650, Rules of the Auditor General of the State of Florida**

Independent Auditor's Report

Board of Trustees
Stetson University, Inc.

Report on Compliance for Each Major Federal Program and State Financial Assistance Project

Opinion on Each Major Federal Program and State Financial Assistance Project

We have audited Stetson University, Inc. and its related subsidiary's (the University's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the requirements described in the State of Florida's *Department of Financial Services' State Projects Compliance Supplement*, that could have a direct and material effect on each of the University's major federal programs and major state financial assistance projects for the year ended June 30, 2025. The University's major federal programs and state financial assistance projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state financial assistance projects for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program and State Financial Assistance Project

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, but not for the purpose of expressing an opinion on the effectiveness of The University's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards and State Financial Assistance Required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General of the State of Florida*

We have audited the financial statements of the University as of and for the year ended June 30, 2025, and have issued our report thereon dated January 27, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and State financial assistance is presented for purposes of additional analysis as required by the Uniform Guidance and Chapter 10.650, *Rules of the Auditor General of the State of Florida* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Tampa, Florida
March 26, 2026

Stetson University, Inc.

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2025**

Section II. Financial Statement Findings

Finding 2025-001—Phishing Incident

Criteria: Stetson University should maintain controls to safeguard assets by mitigating potential exposure to unauthorized changes to vendor bank information.

Condition: During the fiscal year, an event occurred whereby a long-time vendor doing business with Stetson University requested a change in bank account information via e-mail prior to receiving payment on their contract. The University followed internal policies and attempted to call the vendor to verify the change, but the calls went unanswered. After multiple attempts, department staff made an exception to policy and replied to the original email requesting a phone call not realizing the recipient to the email was a bad actor. The bad actor called the University and spoofed the phone number of the legitimate vendor. Department staff then took action and updated the bank information and shortly thereafter a one-time payment was made to the vendor totaling approximately \$1,490,000 to the incorrect bank account.

Subsequent to the payment being made, the University received a call from the legitimate vendor indicating that they had never received payment. Upon further investigation by management, it was determined that the University was a victim of a phishing scheme.

Upon identification of the phishing incident, management contacted their bank, vendor, legal counsel, insurance and cyber-incident team. An internal investigation was immediately performed to outline the events and root cause of the event and a police report and FBI report was filed.

Ultimately the University was able to recover the entirety of the stolen funds through their bank's recovery process and insurance. Management was able to determine through their internal investigation that this was isolated to this specific vendor and transaction and there was no evidence of collusion or insider assistance.

Cause: The cause of this phishing incident was due to mid-level management making an exception to their vendor change policy and staff not understanding that caller ID information can be easily spoofed. The University's policy requires all vendor changes to be accompanied by a phone call authorizing and confirming the change. This policy was bypassed by mid-level management resulting in the redirecting of funds to a false bank account.

Effect or Potential Effect: By making an exception to policy, bad actors were able to redirect funds in the amount of approximately \$1,490,000. Management was able to determine the erroneous change before further funds were sent and, through internal investigation, it was determined that this situation was isolated to one transaction. The University was able to recover the entirety of the approximately \$1,490,000 of stolen funds through their bank's recovery process and insurance.

Recommendation: RSM recommends that the University strengthen its required adherence to its policies and generate controls in order to prevent future deviation from policy. RSM also recommends that the University increase its required continuing professional education surrounding cyber events, including phishing incidents.

Views of Responsible Officials: Management agrees with the finding. See correction action plan.

Section III. Findings and Questioned Costs for Federal Awards and State Financial Assistance

No matters were reported.

Stetson University, Inc.

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2025

STETSON UNIVERSITY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2025

Identifying Number: 2024-001

Audit Finding: The University was not able to provide an audit trail to support the verification that a vendor was not suspended and debarred before entering into a contract.

Corrective Action Taken: This finding has been corrected.

STETSON UNIVERSITY

Finding 2025-001 – Phishing Incident

Condition: During the fiscal year, the University fell victim to a phishing scheme when a fraudulent request to change a vendor's bank account information was received via email. Despite initial attempts to verify the change, staff made an exception to policy and updated the banking details based on a spoofed phone call. This led to a misdirected payment of approximately \$1.49 million. Upon discovery, management initiated an investigation, contacted relevant parties, and filed reports with law enforcement. The University ultimately recovered the full amount and confirmed the incident was isolated, with no evidence of internal misconduct.

Anticipated Completion Date: by June 2026

Person Responsible: Tera Alcalá, Sr. Associate Vice President for Budget and Finance

Corrective Actions Taken or Planned:

Process updates and reinforcement

- Formalize and strictly enforce the University's existing vendor change verification process, which requires verbal confirmation via a verified phone number before any changes to vendor banking information are processed.
- Implement a mandatory dual-authorization process for all vendor banking changes, requiring approval from both the Controller and the Sr. Associate Vice President of Budget and Finance.
- Conduct semi-annual internal audits of vendor banking changes and vendor file modifications to detect anomalies or unauthorized changes.

Staff training and awareness

- Institute mandatory annual training for all staff involved in financial transactions focusing on: cybersecurity awareness, phishing and spoofing detection and vendor fraud prevention.
- University IT to conduct phishing simulations at least annually to identify Finance staff training and awareness vulnerabilities, informing our training protocol.

Technology and process enhancements

- Evaluate additional technology and related process enhancements to further our prevention and detection, including but not limited to:
 - Introduce a secure vendor portal for banking information updates, reducing reliance on email communications
 - Email authentication systems to detect spoofing attempts (i.e. domain slight changes)
 - Require vendors to submit changes through multi-factor authenticated channels