



**SOUTHERN METHODIST UNIVERSITY**  
**CONSOLIDATED FINANCIAL STATEMENTS**

May 31, 2024 and 2023

(With Independent Auditors' Report Thereon)



KPMG LLP  
Suite 1400  
2323 Ross Avenue  
Dallas, TX 75201-2721

## **Independent Auditors' Report**

The Board of Trustees  
Southern Methodist University:

### *Opinion*

We have audited the consolidated financial statements of Southern Methodist University (the University), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements*

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

In preparing the consolidated 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 consolidated financial statements are issued.

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 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 consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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.

*KPMG LLP*

Dallas, Texas  
September 6, 2024

**Southern Methodist University**  
**Consolidated Statements of Position**  
**For the Fiscal Years Ended May 31, 2024 and 2023**  
*(Dollars in Thousands)*

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	May 31, 2024	May 31, 2023
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 225,668	\$ 306,110
Accounts receivable, net	46,929	44,167
Donor contributions receivable, net	324,970	273,994
Investments	2,338,120	2,191,664
Land, buildings, and equipment, net	1,523,341	1,379,317
Other assets	34,052	30,498
<b>TOTAL ASSETS</b>	<b>\$ 4,493,080</b>	<b>\$ 4,225,750</b>
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 207,786	\$ 195,662
Deposits and deferred revenue	47,486	44,589
Long-term debt, net	628,267	659,928
Other liabilities	2,996	3,339
<b>Total Liabilities</b>	<b>886,535</b>	<b>903,518</b>
<b>NET ASSETS:</b>		
Net assets without donor restrictions	\$ 903,169	\$ 846,801
Net assets with donor restrictions	2,703,376	2,475,431
<b>Total Net Assets</b>	<b>3,606,545</b>	<b>3,322,232</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,493,080</b>	<b>\$ 4,225,750</b>

**Southern Methodist University**  
**Consolidated Statements of Activities**  
**For the Fiscal Years Ended May 31, 2024 and 2023**  
*(Dollars in Thousands)*

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER						
SUPPORT:						
Net tuition and fees	\$ 394,949	\$ -	\$ 394,949	\$ 380,212	\$ -	\$ 380,212
Donor contributions	6,787	233,517	240,304	10,423	141,147	151,570
Endowment income, net	3,052	4,795	7,847	6,931	8,571	15,502
Net gains (losses) on investments	22,026	163,153	185,179	(5,568)	34,080	28,512
Grants and contracts	33,485	-	33,485	31,079	-	31,079
Organized activities	11,118	-	11,118	12,440	-	12,440
Other sources	86,918	-	86,918	76,098	-	76,098
Auxiliary activities, net	42,163	-	42,163	42,413	-	42,413
<b>TOTAL REVENUES, GAINS AND OTHER</b>	<b>\$ 600,498</b>	<b>\$ 401,465</b>	<b>\$ 1,001,963</b>	<b>\$ 554,028</b>	<b>\$ 183,798</b>	<b>\$ 737,826</b>
SUPPORT						
Net assets released from restrictions	173,520	(173,520)	-	170,616	(170,616)	-
<b>TOTAL ADJUSTED REVENUES, GAINS</b>	<b>\$ 774,018</b>	<b>\$ 227,945</b>	<b>\$ 1,001,963</b>	<b>\$ 724,644</b>	<b>\$ 13,182</b>	<b>\$ 737,826</b>
AND OTHER SUPPORT						
EXPENSES:						
PROGRAM EXPENSES:						
Instruction	\$ 207,878	\$ -	\$ 207,878	\$ 209,061	\$ -	\$ 209,061
Academic support	109,958	-	109,958	104,182	-	104,182
Research	50,763	-	50,763	45,709	-	45,709
Organized activities	14,531	-	14,531	15,518	-	15,518
Student services	176,224	-	176,224	152,086	-	152,086
Auxiliary activities	32,863	-	32,863	36,053	-	36,053
<b>TOTAL PROGRAM EXPENSES</b>	<b>592,217</b>	<b>-</b>	<b>592,217</b>	<b>562,609</b>	<b>-</b>	<b>562,609</b>
Institutional support	120,812	-	120,812	111,726	-	111,726
<b>TOTAL EXPENSES</b>	<b>\$ 713,029</b>	<b>\$ -</b>	<b>\$ 713,029</b>	<b>\$ 674,335</b>	<b>\$ -</b>	<b>\$ 674,335</b>
Other postretirement plan changes	4,621	-	4,621	(2,625)	-	(2,625)
<b>TOTAL EXPENSES AND ADJUSTMENTS</b>	<b>\$ 717,650</b>	<b>\$ -</b>	<b>\$ 717,650</b>	<b>\$ 671,710</b>	<b>\$ -</b>	<b>\$ 671,710</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 56,368</b>	<b>\$ 227,945</b>	<b>\$ 284,313</b>	<b>\$ 52,934</b>	<b>\$ 13,182</b>	<b>\$ 66,116</b>
BEGINNING NET ASSETS	846,801	2,475,431	3,322,232	793,867	2,462,249	3,256,116
<b>ENDING NET ASSETS</b>	<b>\$ 903,169</b>	<b>\$ 2,703,376</b>	<b>\$ 3,606,545</b>	<b>\$ 846,801</b>	<b>\$ 2,475,431</b>	<b>\$ 3,322,232</b>

**Southern Methodist University**  
**Consolidated Statements of Cash Flows**  
**For the Fiscal Years Ended May 31, 2024 and 2023**  
*(Dollars in Thousands)*

	2024	2023
Cash flows from operating activities:		
Changes in net assets	\$ 284,313	\$ 66,116
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation and accretion	60,994	54,895
Long-term debt-related amortization	(7,315)	(3,045)
Loss on disposal of land, buildings, and equipment	1,443	70
Donor contributions restricted for long-term investment	(102,656)	(81,513)
Noncash donor contributions	(38,127)	(10,627)
Net realized and unrealized gain on investments	(185,179)	(28,512)
(Increase) decrease in account and donor contributions receivable	(53,738)	11,765
(Increase) decrease in other assets	(3,554)	6,575
Increase (decrease) in accounts payable and accrued expenses for operations	11,465	(10,585)
Increase (decrease) in deposits and deferred revenue	2,897	(5,966)
Decrease in other liabilities for operations	(343)	(1,228)
<b>Net cash used for by operating activities</b>	<b>\$ (29,800)</b>	<b>\$ (2,055)</b>
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	\$ (205,193)	(119,870)
Acquisition of investments	(322,463)	(421,741)
Disposition of investments	398,704	448,576
<b>Net cash used for investing activities</b>	<b>\$ (128,952)</b>	<b>\$ (93,035)</b>
Cash flows from financing activities:		
Donor contributions restricted for long-term investment	\$ 102,656	\$ 81,513
Net proceeds from debt issuance	59,554	149,892
Long-term debt payments	(83,900)	(20,595)
<b>Net cash provided by financing activities</b>	<b>\$ 78,310</b>	<b>\$ 210,810</b>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>\$ (80,442)</b>	<b>\$ 115,720</b>
Cash and cash equivalents at beginning of period	306,110	190,390
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>\$ 225,668</b>	<b>\$ 306,110</b>
Supplemental data:		
Donor contributions of investments, real estate and other	\$ 37,518	\$ 7,696
Donor contributions of land, buildings, and equipment	609	2,931
Cash paid for interest	25,764	21,340
Property and equipment included in accounts payable	(634)	27,081

## **1. Nature of Operations**

Southern Methodist University (the University) is a private higher education institution providing undergraduate, graduate, and continuing educational opportunities. In addition to revenue generated by tuition and fees charged for these educational services, the University receives support from donations, revenue from investment earnings, federal grants, sponsored research, athletic events, auxiliary activities, and other sources.

During the reporting periods, the University had seven corporations under its control that are included in the *Consolidated Financial Statements*. These corporations support various University activities, including research initiatives, intercollegiate athletics, and the acquisition and management of real assets ancillary to the University's primary mission.

## **2. Summary of Significant Accounting Policies**

The *Consolidated Financial Statements* have been prepared in accordance with generally accepted accounting principles (GAAP) established to provide meaningful information about the financial resources and operations of the University as a whole and have been prepared on an accrual basis.

### **(a) Net assets**

As a not-for-profit entity, the University receives substantial support from donor contributions. The terms of many of these contributions restrict how the University may use the corresponding resources. Accordingly, transactions and balances are classified into two categories of net assets:

**Net assets without donor restrictions** – Net assets that are not subject to any donor-imposed stipulations or for which the donor-imposed stipulations have been fulfilled. Any donor-imposed restrictions met in the current operating cycle of the University are released and included in net assets without donor restrictions. These net assets could be contractually obligated or designated by the Board of Trustees.

**Net assets with donor restrictions** – Net assets that are subject to donor-imposed stipulations which have not been fulfilled. Such stipulations may require the net assets to be held in perpetuity within the University's endowment, to support specific programs, to fund capital projects, or other University activities.

Revenues are reported as increases in "Net assets without donor restrictions" unless their use is limited by donor-imposed stipulations that are not reasonably expected to be fulfilled during the current operating cycle.

Expenses are reported as decreases in "Net assets without donor restrictions". Gains and losses on investments and other assets or liabilities are reported as increases or decreases in "Net assets without donor restrictions" unless their use is restricted by explicit donor stipulation or by law governing the use of charitable donations. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as "Net assets released from restrictions" and shown as reclassifications between net asset categories.

Income and realized and unrealized gains or losses on investments of donor-restricted net assets are reported as increases or decreases in "Net assets with donor restrictions" to the extent that the donor stipulations require the investment of the contribution (e.g., endowment related gifts, etc.).

The costs of providing various programs and support services are summarized on a functional basis in the *Consolidated Statements of Activities*. Accordingly, expenses such as depreciation, interest, and the operation and maintenance of University facilities are allocated among the functional categories.

***(b) Cash equivalents***

Cash equivalents include operating cash investments, which include U.S. Treasury bills and short-term paper, with maturities of three months or less from the date of purchase.

***(c) Accounts receivable, net***

Accounts receivable includes amounts due from students for tuition, receivables due under grant and contract agreements, payments under athletic agreements, and other general operating receivables. These amounts are valued at net realizable value.

***(d) Donor contributions receivable, net***

Unconditional promises to give from University donors are included in the *Consolidated Financial Statements* as donor contributions receivable until they are collected. These amounts have been discounted to their present value using rates that the University feels appropriately reflect the risks associated with these cash flows. Amortization of discounts is recorded as additional contribution revenue.

***(e) Fair value measurements***

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;

Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

Level 3 – unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The University uses net asset value (NAV) reported by fund managers as a practical expedient to estimate the fair values of its investments held through limited partnerships and other funds. The investments reported at NAV as the practical are not required to be included in the fair value hierarchy.

***(f) Investments***

Fair value for marketable securities, funds held in trust by others and equity method investments are measured based upon quoted prices in active markets, if available. If the market is inactive, fair value is determined by underlying managers. Management reviewed and evaluated the valuations and has determined that the valuation methodology and assumptions result in reasonable estimates of fair value.

The University's investments in investment funds are subject to the terms of the respective funds' agreements, private placement memoranda, and other governing agreements of such funds. These terms are typical for hedge fund and private equity arrangements. The University's investments are also subject to management and performance fees as specified in such funds' agreements. Additionally, such funds in which the University invests may restrict both the transferability of the University's interest and the University's ability to withdraw. In light of such restrictions imposed, an investment in these funds is illiquid and subject to liquidity risk.

Investment transactions are accounted for on the trade date basis, with investment income and expense recognized on an accrual basis.



***(g) Derivative instruments***

The University currently participates in hedging and other derivative agreements to reduce operational expense fluctuation. These instruments are recorded on the *Consolidated Statements of Financial Position* as either an asset or liability measured at the fair value (using Level 2 techniques) as of the reporting date. Changes in fair value of any derivatives are recognized in the *Consolidated Statements of Activities*.

***(h) Land, buildings, and equipment, net***

Land, buildings, and equipment are recorded at cost, if purchased, or at fair value at the time of donation, if donated. During the period qualifying construction projects are in progress, net interest costs are capitalized as part of the basis of capital assets. Capital assets include land, buildings, and equipment that have an acquisition cost of \$5 and over and have an estimated useful life of at least two years, with the exception of software, where the cost must exceed \$75 before the asset will be capitalized. Land improvements, buildings, and equipment are depreciated on the straight-line basis over their estimated useful lives with equipment, vehicles, furniture, software and “other” depreciating in five to 15 years; land improvements depreciating in 15 to 50 years; and buildings depreciating in 20 to 40 years.

***(i) Net tuition and fees***

Tuition and fee revenue is recognized over the course of the academic year as instruction is provided to students. The University applies the portfolio approach, which approximates the revenue that would be recognized by the individual contract approach. In connection with these contracts, the University has an obligation to provide instruction and access to various student facilities. Tuition and fees are generally collected in advance or over the course of the respective term with the revenue earned over the same term as the University’s performance obligations are satisfied. Scholarship allowance represents a reduction in the consideration collected from students reflective of discounts as well as the use of donor contributions designated to reduce the amounts collected directly from students. “Net tuition and fees” represent the cumulative transaction price expected to be collected. Student tuition and fees received in advance of the corresponding revenue recognition are reported as customer contract liabilities in “Deposits and deferred revenue.”

***(j) Donor contributions***

Donor-restricted contributions increase “Net assets with donor restrictions.” Expirations of restrictions on net assets, such as the donor stipulation being met or the passage of time, are reported as “Net assets released from restrictions” and reflect reclassifications between the net asset categories. Conditional promises to give are not recognized until they become unconditional; that is, when the conditions on which they depend are met.

Donor contributions are recorded at fair value or a nominal value if fair value is not readily determinable. Recorded realized and unrealized gains on investments are reported in the appropriate net asset classifications in the *Consolidated Statements of Activities*. Gifts and income thereon that are restricted in perpetuity by the donors for the purpose of making loans to students are reported as “Net assets with donor restrictions.”

Donor contributions of land, buildings and equipment without donor stipulations, concerning the use of such long-lived assets, are reported as “Net assets without donor restrictions.” Donor contributions of cash or other assets to be used to acquire land, buildings, and equipment with such donor stipulations are reported as “Net assets with donor restrictions.” The restrictions are considered to be released when the long-lived assets are placed in service. The University does not capitalize collections, primarily art objects, as they are held for public exhibition and educational purposes rather than financial gain. Proceeds from the sale of collection items are generally used to acquire other items for the collection.

***(k) Grants and contracts revenue and indirect cost recoveries***

The University receives grants and contracts revenue for research and other services it provides pursuant to arrangements with governmental and private entities. Grants and contracts revenue includes exchange transactions and contribution transactions where the related restrictions or conditions are indicative of a research grant relationship and not a traditional donor relationship. For financial statement purposes, grants and contracts revenue is recorded at the time corresponding expenses have been incurred.

Indirect cost recoveries and grants and contracts revenue are reported at the estimated net realizable amounts due from sponsoring agencies. These grants and contracts awards generally specify the purpose for which the funds are to be used and funds are typically received as the University pays for the corresponding expenses. Revenues from sponsored grants and contracts are recognized when allowable expenditures are incurred under such agreements. These revenues, primarily from the federal government, are recorded in "Net assets without donor restrictions" as the conditions have been met in the same reporting period as the receipt of the funds. Amounts recorded in accounts receivable, related to grants and contracts, are for grant expenditures incurred in advance of the receipt of funds.

Indirect cost recoveries are based on negotiated rates and represent recoveries of facilities and administrative costs incurred under grants and contracts agreements.

***(l) Auxiliary activities***

Auxiliary activities revenue primarily relates to housing and dining services. The University applies the portfolio approach, which approximates the revenue that would be recognized by the individual contract approach. In connection with these contracts, the University has an obligation to provide access to housing facilities and dining services through the term of the contract and recognizes revenue as the University's performance obligations are satisfied. Auxiliary activities also include other operations which provide services to students, faculty and staff. Fee charges are directly related to the costs of these services.

***(m) Income taxes***

The University and the controlled corporations referenced in *Note 1* have received determination letters from the Internal Revenue Service indicating they are exempt from federal income taxes under Section 501(a) of the Internal Revenue Code of 1986, as amended, as organizations described in Sections 501(c)(3) and are not private foundations under Sections 509(a)(1) and 509(a)(3), as such, contributions to these entities qualify for deduction as charitable contributions.

The University and its consolidated entities are exempt from federal income taxes except to the extent they have unrelated business income. In addition, there were no uncertain income tax positions during the reporting periods. Accordingly, no tax liability or tax benefit has been recorded.

***(n) Use of estimates***

The preparation of the *Consolidated Financial Statements* in conformity with GAAP requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant items in the University's *Consolidated Financial Statements* subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, the determination of the allowances for uncollectible accounts and depreciation expense which is based on the estimated useful lives of the related assets.

**Southern Methodist University**  
**Notes to the Consolidated Financial Statements**  
**For the Fiscal Years Ended May 31, 2024 and 2023**  
*(Dollars in Thousands)*

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**(o) New accounting pronouncement**

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires credit losses to be recognized on most financial assets carried at amortized cost. The University adopted the ASU as of June 1, 2023. This standard did not have a material effect on the consolidated financial statements.

**(p) Reclassifications**

Certain financial statement and footnote information from the prior year financial statements have been reclassified to conform with the current year presentation. The allocation method for such expenses as depreciation, interest, and operations and maintenance has been revised to be more appropriately allocate the space of the parking garages and as such affected all expenses categories on the *Consolidated Statements of Activities*. There is no net impact on total expenses. This reclassification is also reflected in Note 12.

**3. Liquidity and Resource Availability**

The University has various practices in place to ensure sufficient resources are available to fund the general obligations of the University including general expenditures, liabilities, and other obligations as they come due. In general, the University uses the cash and other financial assets collected during the year to fund the expenses for the same year. The University frequently collects financial assets that are designated to fund certain activities of the University including donor-restricted contributions, amounts for the University's endowment, debt proceeds restricted to specific purposes, etc. Such assets are not available for general obligations. Excess cash balances are invested with a focus on capital preservation while seeking more favorable yields to traditional savings instruments. The risk profile and duration for such investments are adjusted to match future cash needs. Financial assets expected to be available for general obligations within a year are summarized below:

	2024	2023
<b>FINANCIAL ASSETS:</b>		
Cash and cash equivalents	\$ 225,668	\$ 306,110
Accounts receivable, net	46,929	44,167
Donor contributions receivable, net	324,970	273,994
Investments	2,338,120	2,191,664
<b>Total financial assets</b>	<b>2,935,687</b>	<b>2,815,935</b>
Less amounts not available to be used within one year:		
Cash and cash equivalents restricted for capital projects	(29,086)	(31,875)
Cash and cash equivalents restricted for loan programs	(14,408)	(13,655)
Donor contributions receivable, net due after one year	(230,991)	(187,132)
Donor contributions receivable, net due next year with restricted purposes	(92,764)	(83,868)
Accounts receivable, net restricted to the endowment	(1,101)	(1,430)
Investments restricted for defeased debt	(1,679)	(1,695)
Investments restricted to the endowment	(2,105,603)	(1,973,242)
Investments restricted to loan programs	(1,011)	(1,362)
Investments restricted to split-interest agreements	(24,622)	(14,833)
<b>Financial assets not available to be used within one year for general expenditures</b>	<b>(2,501,265)</b>	<b>(2,309,092)</b>
Available borrowings for general expenditures	100,000	100,000
<b>Resources available within a year of general expenditures</b>	<b>\$ 534,422</b>	<b>\$ 606,843</b>

**Southern Methodist University**  
**Notes to the Consolidated Financial Statements**  
**For the Fiscal Years Ended May 31, 2024 and 2023**  
*(Dollars in Thousands)*

**4. Donor Contributions Receivable, net**

Donor contributions receivable are recorded at their fair value, which is determined by computing the present value of future cash flows discounted at rates ranging from 2.5% to 7.0%. The present value and the associated incremental income are reflected as gift revenue in the period the agreement is made and in the period accreted, respectively.

Unconditional donor contributions receivable as of May 31 are expected to be realized in the following periods:

	2024	2023
<b>DONOR CONTRIBUTIONS RECEIVABLE, Net:</b>		
In one year or less	\$ 93,979	\$ 86,862
Between one year and five years	259,740	192,357
More than five years	21,175	38,791
Less discount	(49,924)	(44,016)
<b>Donor contributions receivable, net</b>	<b>\$ 324,970</b>	<b>\$ 273,994</b>

Unconditional contributions receivable as of May 31 have the following restrictions:

	2024	2023
<b>PURPOSE RESTRICTIONS:</b>		
Endowment for departmental programs and activities	\$ 43,842	\$ 30,250
Endowment for scholarships	5,062	5,771
Capital improvements	148,367	154,093
Scholarships, departmental programs and activities	127,699	83,880
<b>Donor contributions receivable, net</b>	<b>\$ 324,970</b>	<b>\$ 273,994</b>

**5. Investments**

Investments consist of equity and fixed income securities, private equity and fixed income funds, hedged strategies, mineral rights and funds held in trust by others. Investments are reported at the estimate fair value.

The University's split-interest agreements consist of perpetual trusts held and administered by others, gift annuities, unitrusts and annuity trusts. Perpetual trusts held and administered by others are recorded at the current fair value of the University's interest in the trust assets. Under split-interest agreements, the University has the right to receive income distributions that are reported as revenue. The University makes periodic payments to named beneficiaries in return for assets received and recognizes a liability for the fair value of the anticipated future payments connected to these agreements based on the discount rates published by the Internal Revenue Service.

	2024	2023
<b>SPLIT-INTEREST AGREEMENTS:</b>		
Gains (losses)	\$ 438	\$ (56)
Assets at fair value	36,227	25,399
Liabilities included in accounts payable and accrued expenses	10,945	7,901
Net assets with donor restrictions related to split-interest agreements	13,678	6,932
Discount rate	5.42%	4.98%

The University also owns foreign investments that are included in the applicable investment classifications in the above investment table. To mitigate foreign exchange risk, the investment managers may purchase foreign currency futures contracts which result in unrealized gains and losses that are reflected in the fair values of appropriate investment categories.

**Southern Methodist University**  
**Notes to the Consolidated Financial Statements**  
**For the Fiscal Years Ended May 31, 2024 and 2023**

(Dollars in Thousands)

Investment return is comprised of investment income, expenses, such as custodial fees and investment advisory fees, and net realized and unrealized gains. Investment returns reported in the *Consolidated Statements of Activities* for the years ended May 31, are as follows:

	2024	2023
<b>INVESTMENT RETURN</b>		
Income from endowment investments included in "Endowment income, net"	\$ 23,957	\$ 29,366
Income from operating investments included in "Other sources"	23,351	14,335
External and internal direct expenses included in "Endowment income, net"	(16,110)	(13,864)
Net realized and unrealized gains on investments	185,179	28,512
<b>Investment return</b>	<b>\$ 216,377</b>	<b>\$ 58,349</b>

The University has unfunded investment commitments related to the investments reported at fair value of \$260,883 and \$291,598 as of May 31, 2024 and 2023, respectively.

## 6. Fair Value of Financial Instruments

The following tables present information about the University's investments at fair value, the fair value hierarchy utilized to determine such fair value, and the strategies related to them as of May 31:

	2024				
	Investments Classified in Fair Value Hierarchy			Net Asset Value	Total
	Level 1	Level 2	Level 3		
INVESTMENTS AT FAIR VALUE:					
Short-term paper	\$ 29,148	\$ -	\$ -	\$ -	\$ 29,148
Stocks	359,706	-	-	-	359,706
Bonds	78,380	163,287	-	-	241,667
Funds held in trust by others	-	-	11,624	-	11,624
Notes receivable, net	-	1,001	-	-	1,001
Mineral rights	-	-	66,963	-	66,963
Private equity	-	19	13,074	674,731	687,824
Hedged strategies	-	-	-	452,741	452,741
Equity funds	-	-	-	428,228	428,228
Fixed income funds	-	-	-	59,218	59,218
Investments at fair value	\$ 467,234	\$ 164,307	\$ 91,661	\$ 1,614,918	\$2,338,120

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2023					
	Investments Classified in Fair Value Hierarchy			Net Asset Value	Total
	Level 1	Level 2	Level 3		
INVESTMENTS AT FAIR VALUE:					
Short-term paper	\$ 45,022	\$ -	\$ -	\$ -	\$ 45,022
Stocks	270,435	-	-	-	270,435
Bonds	92,954	170,082	-	-	263,036
Funds held in trust by others	-	-	10,585	-	10,585
Notes receivable, net	-	1,353	-	-	1,353
Mineral rights	-	-	81,677	-	81,677
Private equity	-	19	1,217	609,635	610,871
Hedged strategies	-	-	-	397,151	397,151
Equity funds	-	-	-	459,458	459,458
Fixed income funds	-	-	-	52,076	52,076
Investments at fair value	\$ 408,411	\$ 171,454	\$ 93,479	\$ 1,518,320	\$2,191,664

The following tables report the changes in fair value for assets using significant unobservable inputs (Level 3):

2024							
	Opening	Transfers	Realized	Unrealized	Sales	Purchases	Ending
	Balance		Gains	Gains (Losses)			Balance
Funds held in trust by others	\$ 10,585	\$ -	\$ -	\$ 1,100	\$ (61)	\$ -	\$ 11,624
Mineral rights	81,677	-	-	(14,714)	-	-	66,963
Private equity	1,217	-	-	-	-	11,857	13,074
<b>Level 3 investments</b>	<b>\$ 93,479</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (13,614)</b>	<b>\$ (61)</b>	<b>\$ 11,857</b>	<b>\$ 91,661</b>

2023							
	Opening	Transfers	Realized	Unrealized	Sales	Purchases	Ending
	Balance		Gains	Losses			Balance
Funds held in trust by others	\$ 11,119	\$ -	\$ -	\$ (258)	\$ (276)	\$ -	\$ 10,585
Mineral rights	98,469	-	-	(16,792)	-	-	81,677
Private equity	1,167	-	-	-	-	50	1,217
<b>Level 3 investments</b>	<b>\$ 110,755</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (17,050)</b>	<b>\$ (276)</b>	<b>\$ 50</b>	<b>\$ 93,479</b>

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The following tables present the liquidity of the University's investments at fair value at May 31:

2024							
	Within 30 Days <sup>1</sup>		Quarterly <sup>2</sup>	Semi-Annual or Annual <sup>3</sup>		Illiquid <sup>4</sup>	Total
INVESTMENTS AT FAIR VALUE:							
Short-term paper	\$	29,148	\$	-	\$	-	\$ 29,148
Stocks		359,706		-		-	359,706
Bonds		222,493		17,494		1,680	241,667
Funds held in trust by others		-		-		11,624	11,624
Notes receivable, net		-		-		1,001	1,001
Mineral rights		-		-		66,963	66,963
Private equity		-		1,029		686,795	687,824
Hedged strategies		-		330,775		90,708	31,258
Equity funds		210,346		216,882		-	1,000
Fixed income funds		506		35,082		-	23,630
Total investments at fair value	\$	822,199	\$	601,262	\$	90,708	\$ 823,951
							\$ 2,338,120

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

2023							
	Within 30 Days <sup>1</sup>		Quarterly <sup>2</sup>	Semi-Annual or Annual <sup>3</sup>		Illiquid <sup>4</sup>	Total
INVESTMENTS AT FAIR VALUE:							
Short-term paper	\$	45,022	\$	-	\$	-	\$ 45,022
Stocks		270,435		-		-	270,435
Bonds		243,231		18,111		-	263,036
Funds held in trust by others		-		-		10,585	10,585
Notes receivable, net		-		-		1,353	1,353
Mineral rights		-		-		81,677	81,677
Private equity		-		-		610,871	610,871
Hedged strategies		-		284,593		85,702	397,151
Equity funds		237,207		192,551		-	459,458
Fixed income funds		497		32,836		-	52,076
Total investments at fair value	\$	796,392	\$	528,091	\$	85,702	\$ 781,479
							\$ 2,191,664

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

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**7. Land, Buildings, and Equipment, net**

The following table details the land, buildings, and equipment holdings of the University as of May 31, 2024 and 2023:

	2024	2023
<b>LAND, BUILDINGS, AND EQUIPMENT:</b>		
Land	\$ 175,398	\$ 175,438
Land improvements	135,526	117,602
Buildings	1,486,904	1,415,687
Equipment	144,052	132,610
Other Assets	88,425	86,529
Construction in progress	269,494	169,162
<i>Total land, buildings, and equipment, at cost</i>	<i>2,299,799</i>	<i>2,097,028</i>
<i>Less accumulated depreciation*</i>	<i>(776,458)</i>	<i>(717,711)</i>
<b>Land, buildings, and equipment, net</b>	<b>\$ 1,523,341</b>	<b>\$ 1,379,317</b>

\*Includes depreciation expense of \$59,701 and \$53,711 for fiscal year 2024 and 2023, respectively.

**8. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses as of May 31 included the following:

	2024	2023
<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES:</b>		
General accounts payable and accrued expenses	\$ 100,042	\$ 92,696
Asset retirement obligations	25,045	23,751
Postretirement healthcare benefit obligation	27,212	26,732
Ground lease contribution	44,542	44,582
Split-interest obligations	10,945	7,901
<b>Accounts Payable and accrued expenses</b>	<b>\$ 207,786</b>	<b>\$ 195,662</b>

**(a) Asset retirement obligations**

In order to retire certain long-lived assets, the University is responsible for the abatement of asbestos and lead paint. The fair value of these costs is recognized in the period in which it is incurred, at the present value of expected future cash flows and is added to the carrying value of the associated asset to be depreciated over the asset's useful life.

The following table summarizes the change in the asset retirement obligation for fiscal years ended May 31, 2024 and 2023:

	2024	2023
Asset retirement obligations, beginning balance	\$ 23,751	\$ 22,567
Disposal of asset retirement obligations	-	(43)
Decrease in land, buildings, and equipment, net of accumulated depreciation	-	(88)
Accretion and depreciation expense	1,294	1,315
<b>Asset retirement obligations, ending balance</b>	<b>\$ 25,045</b>	<b>\$ 23,751</b>



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**(b) Postretirement healthcare benefits**

The University provides postretirement healthcare benefits for employees who meet minimum age and service requirements and retire from the University. These benefits are provided by an insured Medicare supplement product with no lifetime maximum. The funding for the premium of this product is shared between the University and plan participants.

The University accrues the expected cost of providing postretirement benefits, other than pensions, during the years that employees render services.

Actuarial assumptions used to determine the value of the accumulated postretirement benefit obligation (APBO) and the benefit costs included weighted average discount rates of 5.30% and 4.82% per annum for fiscal years 2024 and 2023, respectively. The components of the net periodic benefit cost for the year ended May 31 are as follows:

	2024	2023
<b>NET PERIODIC BENEFIT COST:</b>		
Service cost	\$ 69	\$ 115
Interest cost	1,229	1,240
Amortization:		
Unrecognized gain	(571)	-
<b>Net periodic benefit cost</b>	<b>\$ 727</b>	<b>\$ 1,355</b>

Net periodic benefit cost and other changes in plan assets and benefit obligations recognized in "Net assets without donor restrictions" are as follows:

	2024	2023
<b>PLAN COSTS AND OTHER CHANGES:</b>		
Net periodic benefit cost recognized	\$ 727	\$ 1,355
Other changes in plan obligations		
Net actuarial loss (gain)	4,621	(2,625)
<i>Other postretirement plan changes</i>	4,621	(2,625)
<b>Decrease (increase) in net assets without donor restrictions</b>	<b>\$ 5,348</b>	<b>\$ (1,270)</b>

The accrued postretirement benefit obligations recognized in the University's *Consolidated Statements of Financial Position* as of May 31 are as follows:

	2024	2023
Benefit obligations, beginning balance	\$ 26,732	\$ 32,332
Service cost	69	115
Interest cost	1,229	1,240
Plan participants' contributions	1,665	1,665
Benefit payments	(6,533)	(5,995)
Actuarial loss (gain)	4,050	(2,625)
<b>Benefit obligations, ending balance</b>	<b>\$ 27,212</b>	<b>\$ 26,732</b>

The accumulated postretirement benefit includes a current liability of \$2,591 for the claims and expenses that are expected to be paid out in the coming year and \$24,621 of noncurrent postretirement benefit liabilities.

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As of May 31, 2024, the University had expected benefit payments in the following fiscal year:

<b>EXPECTED BENEFIT PAYMENTS:</b>	
2025	\$ 2,591
2026	2,463
2027	2,379
2028	2,326
2029	2,298
2030-2033	10,711
<b>Expected benefit payments</b>	<b>\$ 22,768</b>

**(c) Ground lease contribution**

“Accounts payable and accrued expenses” include \$44,542 reflecting the fair value of a ground lease contribution to The George W. Bush Foundation for the location, construction and operation of the George W. Bush Presidential Library Center facilities at the University as of May 31, 2024. This balance is being accreted over the 249 years of the lease, including extensions.

**9. Long-term Debt, net**

Long-term debt, unamortized premiums, discounts, and issuance costs, consisted of the following at May 31:

	<b>Average Coupon*</b>	<b>Final Maturity</b>	<b>2024</b>	<b>2023</b>
<b>TAX-EXEMPT FIXED-RATE REVENUE BONDS:</b>				
2023 Series	5.00%	October 1, 2042	\$ 55,985	\$ -
2017 Series	4.56	October 1, 2041	87,160	90,165
2016 Series A	4.57	October 1, 2045	87,900	96,380
2013 Series A	4.52	October 1, 2042	39,855	99,195
2007 Series	4.96	October 1, 2029	21,240	21,240
<i>Tax-exempt fixed-rate revenue bonds</i>			<i>292,140</i>	<i>306,980</i>
<b>TAXABLE FIXED-RATE REVENUE BONDS:</b>				
2016 Series B	3.76	October 1, 2045	24,500	25,250
2013 Series B	2.89	October 1, 2033	39,960	45,415
<i>Taxable fixed-rate revenue bonds</i>			<i>64,460</i>	<i>70,665</i>
<b>PRIVATE PLACEMENT:</b>				
2023 Series Taxable Notes	4.08	March 31, 2030	150,000	150,000
2017 Series Taxable Notes	3.55	October 1, 2047	87,515	89,785
2017 Promissory Note	Various	August 30, 2027	1,000	1,000
2015 Tax-Exempt Forward	2.53	October 1, 2032	17,730	22,330
<i>Private Placement</i>			<i>256,245</i>	<i>263,115</i>
<b>Long-term debt payable prior to amortizations</b>			<b>612,845</b>	<b>640,760</b>
Unamortized net premiums			17,615	21,421
Unamortized bond issuance costs			(2,193)	(2,253)
<b>Long-term debt, net</b>			<b>\$ 628,267</b>	<b>\$ 659,928</b>

\*Average coupon at time of issuance

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	Escrowed Assets		Par Value	
	2024	2023	2024	2023
DEFEASED BONDS:				
2007 Series <sup>1</sup>	\$ 1,679	\$ 1,695	\$ 1,630	\$ 1,630
Long-term debt payable from escrowed assets			1,630	1,630
Long-term debt, net			628,267	659,928
Long-term debt, net payable from general resources			\$ 626,637	\$ 658,298

<sup>1</sup> Defeased with proceeds from a contribution

In addition to the above, the University has \$100,000 of borrowings available under an undrawn bank line of credit, which is available for general liquidity needs of the University.

No interest related to construction projects was capitalized during fiscal year 2024 and 2023, respectively. Interest expense on long-term debt was \$17,890 and \$18,414 for the fiscal years ended May 31, 2024 and 2023, respectively.

As of May 31, 2024, the University had scheduled principal maturities for the following fiscal years:

PRINCIPAL MATURITIES:	
2025	\$ 27,855
2026	28,575
2027	30,085
2028	29,625
2029	29,930
Thereafter	466,775
Principal outstanding	\$ 612,845

## 10. Net Tuition and Fees

The University provides educational services to both undergraduate and graduate students. The below table presents a disaggregation of net tuition by these two groups:

	2024			2023		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
REVENUES:						
Tuition at stated rates	\$ 415,702	\$ 137,484	\$ 553,186	\$ 398,634	\$ 140,541	\$ 539,175
Student fees at stated rates	49,361	19,127	68,488	43,319	16,254	59,573
Less: Scholarship allowances	(176,350)	(50,375)	(226,725)	(172,104)	(46,432)	(218,536)
Net tuition and fee revenue	\$ 288,713	\$ 106,236	\$ 394,949	\$ 269,849	\$ 110,363	\$ 380,212

The following assets and liabilities have been recognized on the *Consolidated Statements of Financial Position* related to student accounts:

	2024	2023
Receivables included in <i>Accounts receivable, net</i>	\$ 9,348	\$ 7,826
Contract liabilities included in <i>Deposits and deferred revenue</i>	26,851	23,841

\*Student account balances are primarily the result of tuition and fee activity, but also include charges and payments for various other services.

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**11. Auxiliary Activities, net**

Auxiliary activities revenue consisted of the following for fiscal year 2024 and 2023:

	2024	2023
<b>REVENUES:</b>		
Housing and dining services	\$ 44,173	\$ 44,765
Less: Scholarship allowances	(3,250)	(3,428)
Other activities	1,240	1,076
<b>Auxiliary activities, net</b>	<b>\$ 42,163</b>	<b>\$ 42,413</b>

**12. Natural Expenses**

The tables below present expenses by both their nature and their function for fiscal year 2024 and 2023:

	2024							
	Instruction	Academic support	Research	Organized activities	Student services	Auxiliary activities	Institutional support	Total
<b>EXPENSES:</b>								
Compensation and benefits	\$ 165,409	\$ 65,628	\$ 32,239	\$ 4,882	\$ 73,670	\$ 6,085	\$ 53,755	\$ 401,668
Operations and maintenance	15,612	17,350	5,283	558	48,746	20,704	26,472	134,725
Professional fees and services	15,505	10,854	4,870	5,767	14,533	1,249	24,529	77,307
Travel, professional development	6,584	4,130	2,733	1,887	19,420	484	4,891	40,129
Interest	983	451	166	8	2,217	3,909	10,156	17,890
Supplies	1,315	9,803	2,001	273	2,857	400	977	17,626
Student support	1,758	1,175	1,218	54	7,691	25	-	11,921
Other	712	567	2,253	1,102	7,090	7	32	11,763
<b>Expenses</b>	<b>\$ 207,878</b>	<b>\$ 109,958</b>	<b>\$ 50,763</b>	<b>\$ 14,531</b>	<b>\$ 176,224</b>	<b>\$ 32,863</b>	<b>\$ 120,812</b>	<b>\$ 713,029</b>

	2023							
	Instruction	Academic support	Research	Organized activities	Student services	Auxiliary activities	Institutional support	Total
<b>EXPENSES:</b>								
Compensation and benefits	\$ 161,006	\$ 62,173	\$ 27,766	\$ 4,713	\$ 61,831	\$ 5,560	\$ 51,011	\$ 374,060
Operations and maintenance	16,969	16,705	5,549	469	43,007	25,039	28,917	136,655
Professional fees and services	19,014	9,921	4,097	6,143	12,072	969	17,593	69,809
Travel, professional development	5,936	3,396	2,467	2,345	17,838	409	4,298	36,689
Interest	2,088	1,341	526	17	4,283	3,755	6,404	18,414
Supplies	1,068	9,295	2,171	358	2,463	286	1,467	17,108
Student support	1,565	1,276	908	55	7,199	35	4	11,042
Other	1,415	75	2,225	1,418	3,393	-	2,032	10,558
<b>Expenses</b>	<b>\$ 209,061</b>	<b>\$ 104,182</b>	<b>\$ 45,709</b>	<b>\$ 15,518</b>	<b>\$ 152,086</b>	<b>\$ 36,053</b>	<b>\$ 111,726</b>	<b>\$ 674,335</b>

The University incurs some expenses for the benefit of multiple functional areas such as various operations and maintenance expenses (including depreciation) and interest expense. To the extent these expenses are not attributed to a specific area, they are allocated primarily on a square-footage basis to the various functional areas.

Fundraising expenses of approximately \$27,709 and \$24,021 incurred by the University in fiscal years 2024 and 2023, respectively, are included primarily as "Institutional support expenses".

**13. Defined Contribution Postemployment Plans**

The University has a defined contribution retiree medical plan intended to replace the University's defined benefit retiree medical plan. Under this program, both the University and employees contribute monthly to the employees' retiree medical accounts. The University contributed \$1,854 and \$1,698 to this program in fiscal years 2024 and 2023, respectively. The current defined benefit retiree medical plan will be phased out concurrently with funding of this defined contribution plan.

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Full-time and part-time benefits-eligible employees are eligible for the 403(b) Retirement Plan at age 21. Full-time employees are required to enroll if age 36 or older. Retirement benefit expenses under this plan were \$22,731 and \$20,643 in fiscal years 2024 and 2023, respectively.

**14. Net Assets Released from Donor Restrictions**

The sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows:

	2024	2023
NET ASSETS RELEASED:		
Acquisition of buildings and equipment	\$ 20,816	\$ 50,842
Instruction, research, departmental support, scholarships and other	152,704	119,774
<b>Net assets released from donor restrictions</b>	<b>\$ 173,520</b>	<b>\$ 170,616</b>

**15. Restrictions and Limitations on Net Assets with Donor Restrictions**

Net assets with donor restrictions as of May 31 consist of the following:

	2024	2023
NET ASSETS WITH DONOR RESTRICTIONS		
Endowment corpus, restricted in perpetuity	\$ 1,077,591	\$ 1,040,035
Endowment donor contributions receivable, restricted in perpetuity	48,573	35,241
Endowment appreciation restricted until appropriated	896,300	837,353
Perpetual funds held in trust	11,624	10,585
Funds held in perpetuity for student loans	14,719	13,869
Split-interest agreements	13,678	6,932
Restricted for capital projects, including related donor contributions receivable	285,224	271,049
Restricted for scholarships and departmental purposes, including related donor contributions receivable	355,667	260,367
<b>Net assets with donor restrictions</b>	<b>\$ 2,703,376</b>	<b>\$ 2,475,431</b>

**16. Endowment Net Assets**

The University's Endowment (Endowment) consists of over 1,900 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (without donor restrictions). The Endowment provides stable financial support to a wide variety of programs and activities in perpetuity, playing a critical role in enabling the University to achieve its mission. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

***(a) Interpretation of relevant law***

The University's endowment is subject to the Texas State Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act). Based on the interpretation of the UPMIFA by the University's Board of Trustees, absent explicit donor stipulations to the contrary, the University holds in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not held in perpetuity remains in the endowment until it is appropriated for expenditure by the Board of Trustees in a manner consistent with the

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standard of prudence prescribed by the Act. In accordance with the Act, the Board of Trustees considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net assets consist of the following at May 31:

2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,034,088	\$ 2,034,088
Board-designated endowment funds	129,832	-	129,832
<b>Total endowment net assets</b>	<b>\$ 129,832</b>	<b>\$ 2,034,088</b>	<b>\$ 2,163,920</b>

2023			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 1,923,214	\$ 1,923,214
Board-designated endowment funds	101,112	-	101,112
<b>Total endowment net assets</b>	<b>\$ 101,112</b>	<b>\$ 1,923,214</b>	<b>\$ 2,024,326</b>

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Endowment net assets as of May 31, 2022</b>	<b>\$ 97,090</b>	<b>\$ 1,925,583</b>	<b>\$ 2,022,673</b>
Donor contributions	-	42,621	42,621
Investment return:			
Investment income, net of distributions	857	3,686	4,543
Net realized and unrealized gains (losses)	7,322	34,926	42,248
<i>Total investment return</i>	8,179	38,612	46,791
Endowment gains transferred for spending	(5,072)	(83,602)	(88,674)
Funds functioning as endowment net transfers	915	-	915
<b>Endowment net assets as of May 31, 2023</b>	<b>\$ 101,112</b>	<b>\$ 1,923,214</b>	<b>\$ 2,024,326</b>
Donor contributions	-	52,910	52,910
Investment return:			
Investment income, net of distributions	71	1,528	1,599
Net realized and unrealized gains	11,932	161,038	172,970
<i>Total investment return</i>	12,003	162,566	174,569
Endowment gains transferred for spending	(5,252)	(82,972)	(88,224)
Funds functioning as endowment net transfers	339	-	339
Other revenues and transfers	21,630	(21,630)	-
<b>Endowment net assets as of May 31, 2024</b>	<b>\$ 129,832</b>	<b>\$ 2,034,088</b>	<b>\$ 2,163,920</b>

Endowment net assets are split between donor-restricted (with donor restrictions) and funds functioning as endowment (without donor restrictions).

***(b) Funds with deficiencies***

From time to time, the value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Act requires the University to retain as a fund of perpetual duration. As of May 31, 2024, one such endowment fund with an aggregated value of \$390 with a total of \$11 below the minimum distribution level. As of May 31, 2023, thirty-three such endowment funds with an aggregated value of \$27,928 were a total of \$700 below the minimum distribution level.

***(c) 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 within risk tolerances of the University to provide an expected total return in excess of spending and inflation over the long term.

The principal risk to the endowment is the possibility of prolonged or severe asset depreciation that impairs the ability of the fund to preserve the value of the corpus after inflation, fees and the yearly spending distribution. The endowment's broadly diversified portfolio is designed to reduce the volatility of returns. Also, the endowment is invested in asset classes that are projected to perform well and act as a hedge in environments that could cause prolonged or severe asset depreciation such as high inflation or deflation. Risk management is a dynamic process that considers general market developments, the proliferation of new investments and the changing nature of correlation across asset classes. The University and its Investment Committee are responsible for this process, monitoring and managing the factors pertaining to credit, liquidity, market and operational risks.

***(d) Strategies employed for achieving objectives***

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current income (interest and dividends, etc.). The University targets a diversified asset allocation that places emphasis on public equities, private markets, hedged strategies, fixed income strategies, and real asset strategies to achieve its long-term return objectives within prudent risk constraints.

***(e) Spending policy and the investment objectives relationship to spending policy***

The University has adopted an endowment spending policy whereby annually the Board of Trustees authorizes amounts to be spent for the purposes intended by the donors based in part on an index of the prior year allocation for spending and in part on a stipulated percentage of the fair value of endowments participating in the investment pool. If the current income of the endowment investments is not sufficient to cover the authorized level of spending, the difference is taken from the market value in excess of the historical gift value, to the extent available.

University Administration is authorized to distribute for spending from all endowment funds invested in the Investment Pool that have sufficient realized and unrealized capital gains an amount equal to seventy percent (70%) of the spending calculated for the previous fiscal year increased by an inflation factor to be determined each fiscal year (3% for fiscal year 2024), and a percent determined for each fiscal year (4.5% for fiscal year 2024) of thirty percent (30%) of the four-quarter average of the Investment Pool per share market value for the preceding calendar year multiplied by the number of shares outstanding at the end of that calendar year. In establishing this policy, the University considers the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts and inflationary increases. Additional real growth will be provided through new gifts and excess investment returns.



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**17. Related Party Transactions**

Members of the University's Board of Trustees and senior management may, from time to time, be associated either directly or indirectly with companies that do business with the University. The University has a written conflict of interest policy that requires annual reporting by each Board member and University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms that are fair and reasonable to and in the best interest of the University.

Although generally such transactions are immaterial, the University does engage in such business transactions that may be material. The University has invested funds totaling \$10,026 and \$13,875 in fiscal years 2024 and 2023, respectively, with investment firms with which board members are affiliated.

**18. Commitments and Contingencies**

The University is contractually obligated for approximately \$78,961 as of May 31, 2024 for construction projects with scheduled completion dates through fiscal year 2029.

The University is party to various lease agreements which requires the University to make future lease payments and other agreements that entitle the University to future independent operations revenues. During the fiscal year, the University incurred \$934 and \$888 in operating lease expenses for facilities and equipment and received \$3,488 and \$3,993 in rental revenue in the fiscal years ended May 31, 2024 and 2023, respectively.

As of May 31, 2024, the University has lease commitments and future lease revenue for the following future fiscal years:

	<b>Lease Commitments</b>	<b>Lease Revenues</b>
2025	\$ 1,044	\$ 3,543
2026	613	3,207
2027	292	2,940
2028	248	2,472
2029	185	2,119
Thereafter	-	4,674
<b>Total</b>	<b>\$ 2,382</b>	<b>\$ 18,955</b>

The University participates in the Federal Title IV student financial aid programs and other research and development programs funded by federal grants which are subject to federal compliance requirements and potential audit by federal government agencies. The University has had no material non-compliance in relation to such requirements during the years ended May 31, 2024 and 2023.

The University enters into contracts with vendors, some of which may have penalties for early termination. It is the University's practice when entering into such contracts to not cancel the contracts prior to the end of their term. If, from a business standpoint, including consideration of the cancellation penalty, the University does cancel any such contract, it does not believe there would be any material adverse effect on the University's *Consolidated Financial Statements*.

The University is a defendant in several legal actions. The outcomes of these actions cannot be determined at this time, but management is of the opinion that any liability that may result from these actions will not have a material effect on the University's financial position.



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*(Dollars in Thousands)*

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The University has entered into various agreements with banks to guarantee the construction loan debt for sorority houses built on University land. Under these agreements if the debtor's default on their obligations, the University may be required to satisfy all or part of the remaining obligation.

**19. Subsequent Events**

The University has evaluated subsequent events from the Statement of Financial Position date of May 31, 2024 through September 6, 2024, the issuance date of the *Consolidated Financial Statements*, and determined that there are no other subsequent events that warrant disclosure as of this date.