

SAMFORD UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Samford University

Opinion

We have audited the consolidated financial statements of Samford University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 consolidated 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 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 from the date the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 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 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.

Crowe LLP

Crowe LLP

Indianapolis, Indiana
October 11, 2024

SAMFORD UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Assets		
Cash and cash equivalents	\$ 27,962,888	\$ 44,349,238
Cash held by bond trustee	202,715,443	19,075,389
Cash held in escrow for capital projects	-	76,543,609
Accounts and other receivables, net	4,320,192	4,468,189
Prepaid and other assets	857,907	916,436
Pledges receivable, net	23,237,233	30,565,534
Marketable securities	344,241,324	303,131,443
Student loans receivable, net	17,708,204	16,833,679
Right-of-use assets-operating leases	2,189,313	1,858,319
Other investments	109,691,534	108,958,578
Property, plant, and equipment, net	446,588,421	351,247,759
Beneficial interest in perpetual trusts	11,637,671	11,425,025
Contributions receivable from trusts held by third parties	<u>429,795</u>	<u>413,920</u>
Total assets	<u>\$1,191,579,925</u>	<u>\$969,787,118</u>
Liabilities and Net Assets		
Accounts payable	\$ 14,841,955	\$ 3,585,318
Accrued liabilities	11,305,722	9,189,942
Deferred revenue	9,206,619	8,602,927
Other payables and liabilities	10,599,894	5,342,256
Capital line of credit	-	5,500,000
Deposits held on behalf of others	2,984,327	3,028,163
Lease liability	2,189,313	1,858,319
Annuities payable	2,190,018	2,078,721
Pension plan obligation	36,484,599	47,217,998
Notes payable of consolidated subsidiaries	20,090,337	21,491,652
Infrastructure debt	26,371,913	27,466,309
Long-term debt, net	<u>507,483,382</u>	<u>316,852,891</u>
Total liabilities	643,748,079	452,214,496
Net assets		
Without donor restrictions	108,376,187	108,327,526
With donor restrictions		
Time or purpose	154,994,328	132,350,384
Perpetual	<u>284,461,331</u>	<u>276,894,712</u>
Total net assets with donor restrictions	<u>439,455,659</u>	<u>409,245,096</u>
Total net assets	<u>547,831,846</u>	<u>517,572,622</u>
Total liabilities and net assets	<u>\$1,191,579,925</u>	<u>\$969,787,118</u>

See accompanying notes to consolidated financial statements.

SAMFORD UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, grants and other support			
Student income			
Net tuition income	\$ 120,175,870	\$ -	\$ 120,175,870
Board and lodging	<u>29,868,404</u>	<u>-</u>	<u>29,868,404</u>
Total student income	150,044,274	-	150,044,274
Other income			
Contributions and pledges for operations	8,184,558	3,891,673	12,076,231
Grant and contract revenue	403,417	4,245,615	4,649,032
Other income	<u>10,486,006</u>	<u>684,907</u>	<u>11,170,913</u>
Total other income	19,073,981	8,822,195	27,896,176
Investment income (loss)			
Endowment income distributed for operations	9,224,711	12,833,181	22,057,892
Net loss of consolidated subsidiaries	(1,214,499)	-	(1,214,499)
Income on operating investments	<u>1,540,397</u>	<u>5,402</u>	<u>1,545,799</u>
Total investment income used in operations	9,550,609	12,838,583	22,389,192
Net assets released from restrictions	<u>19,488,346</u>	<u>(19,488,346)</u>	<u>-</u>
Total operating revenues, gains and other	198,157,210	2,172,432	200,329,642
Expenses			
Faculty and staff salaries	84,899,981	-	84,899,981
Student wages	1,674,812	-	1,674,812
Benefits	24,393,115	-	24,393,115
Facilities, maintenance and utilities	14,753,650	-	14,753,650
Interest expense	8,303,694	-	8,303,694
Auxiliary expenses	10,201,755	-	10,201,755
Depreciation	16,683,939	-	16,683,939
Lease expense	1,334,292	-	1,334,292
Supplies and other operating expenses	<u>35,097,132</u>	<u>-</u>	<u>35,097,132</u>
Total expenses	<u>197,342,370</u>	<u>-</u>	<u>197,342,370</u>
Increase in net assets from operating activities	814,840	2,172,432	2,987,272
Other changes			
Other components of net periodic pension cost	(5,739,051)	-	(5,739,051)
Loss on debt refinancing	(3,004,966)	-	(3,004,966)
Pension liability adjustment	<u>13,190,131</u>	<u>-</u>	<u>13,190,131</u>
Total change in operational resources	5,260,954	2,172,432	7,433,386
Changes in finance capital			
Net investment income	10,925,470	29,711,895	40,637,365
Draws from endowment for operations	(9,373,185)	(12,701,171)	(22,074,356)
Capital gifts for loan, annuity funds and endowment funds	79,539	7,817,877	7,897,416
Change in value of split-interest agreements	(18,325)	28,118	9,793
Changes in loan funds	-	1,395,027	1,395,027
Transfers between operating, endowment and other funds	525,032	(525,032)	-
Changes in capital facilities			
Changes in plant funds, excluding capital gifts	(8,164,760)	-	(8,164,760)
Net assets released from restrictions for capital additions	811,936	(811,936)	-
Capital gifts for plant funds	<u>2,000</u>	<u>3,123,353</u>	<u>3,125,353</u>
Total capital changes	<u>(5,212,293)</u>	<u>28,038,131</u>	<u>22,825,838</u>
Total change in net assets	48,661	30,210,563	30,259,224
Net assets			
Beginning of year	<u>108,327,526</u>	<u>409,245,096</u>	<u>517,572,622</u>
End of year	<u>\$ 108,376,187</u>	<u>\$ 439,455,659</u>	<u>\$ 547,831,846</u>

See accompanying notes to consolidated financial statements.

SAMFORD UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2023

	<u>Restrictions</u>	<u>Without Donor Restrictions</u>	<u>With Donor Total</u>
Revenues, grants and other support			
Student income			
Net tuition income	\$ 118,865,914	\$ -	\$ 118,865,914
Board and lodging	<u>26,783,890</u>	<u>-</u>	<u>26,783,890</u>
Total student income	145,649,804	-	145,649,804
Other income			
Contributions and pledges for operations	5,401,250	2,657,715	8,058,965
Grant and contract revenue	512,325	4,219,844	4,732,169
Other income	<u>9,665,384</u>	<u>820,757</u>	<u>10,486,141</u>
Total other income	15,578,959	7,698,316	23,277,275
Investment income (loss)			
Endowment income distributed for operations	9,933,113	11,565,678	21,498,791
Net loss of consolidated subsidiaries	(1,383,002)	-	(1,383,002)
Income on operating investments	<u>892,165</u>	<u>6,025</u>	<u>898,190</u>
Total investment income used in operations	9,442,276	11,571,703	21,013,979
Net assets released from restrictions	<u>16,212,642</u>	<u>(16,212,642)</u>	<u>-</u>
Total operating revenues, gains and other	186,883,681	3,057,377	189,941,058
Expenses			
Faculty and staff salaries	81,174,598	-	81,174,598
Student wages	1,591,225	-	1,591,225
Benefits	25,162,431	-	25,162,431
Facilities, maintenance and utilities	13,072,785	-	13,072,785
Interest expense	8,258,479	-	8,258,479
Auxiliary expenses	8,995,762	-	8,995,762
Depreciation	16,523,745	-	16,523,745
Lease expense	1,255,128	-	1,255,128
Supplies and other operating expenses	<u>32,413,318</u>	<u>-</u>	<u>32,413,318</u>
Total expenses	<u>188,447,471</u>	<u>-</u>	<u>188,447,471</u>
Increase (decrease) in net assets from operating activities	(1,563,790)	3,057,377	1,493,587
Other changes			
Other components of net periodic pension cost	(411,131)	-	(411,131)
Pension liability adjustment	<u>(3,284,675)</u>	<u>-</u>	<u>(3,284,675)</u>
Total change in operational resources	(5,259,596)	3,057,377	(2,202,219)
Changes in finance capital			
Net investment income	8,720,097	20,402,447	29,122,544
Draws from endowment for operations	(10,079,624)	(11,434,771)	(21,514,395)
Capital gifts for loan, annuity funds and endowment funds	92,509	8,186,911	8,279,420
Change in value of split-interest agreements	9,369	593,336	602,705
Changes in loan funds	-	1,664,574	1,664,574
Transfers between operating, endowment and other funds	1,691,009	(1,691,009)	-
Changes in capital facilities			
Changes in plant funds, excluding capital gifts	(836,234)	(13,442)	(849,676)
Net assets released from restrictions for capital additions	445,869	(445,869)	-
Capital gifts for plant funds	<u>2,500</u>	<u>1,402,384</u>	<u>1,404,884</u>
Total capital changes	<u>45,495</u>	<u>18,664,561</u>	<u>18,710,056</u>
Total change in net assets	(5,214,101)	21,721,938	16,507,837
Net assets			
Beginning of year	<u>113,541,627</u>	<u>387,523,158</u>	<u>501,064,785</u>
End of year	<u>\$ 108,327,526</u>	<u>\$ 409,245,096</u>	<u>\$ 517,572,622</u>

See accompanying notes to consolidated financial statements.

SAMFORD UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 30,259,224	\$ 16,507,837
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	16,683,939	16,523,745
Depreciation of consolidated subsidiaries	698,074	529,380
Net unrealized and realized gains on investments	(35,734,018)	(23,489,521)
Pension liability adjustment	(13,190,131)	3,284,675
Change in value of split-interest agreements	(9,793)	(602,705)
Decrease (increase) in the carrying amount of the right-of-use assets operating leases	(330,994)	210,851
Cash contributions restricted for long-term purposes	(16,781,483)	(71,330,193)
Disbursement from trusts	60	186,243
Disposal of property, plant, and equipment	3,254,822	-
Changes in operating assets and liabilities		
Accounts and other receivables	290,275	(1,545,428)
Pledges receivable	7,328,301	62,119,952
Prepaid and other assets	58,529	(142,917)
Accounts payable	(230,329)	(481,138)
Accrued liabilities and other payables and liabilities	4,519,799	2,946,104
Lease liability	330,994	(210,851)
Pension plan obligation	2,456,732	(2,972,350)
Deposits held on behalf of others	(43,836)	(786,126)
Deferred revenue	603,692	(2,058,425)
Net cash provided by (used in) operating activities	<u>163,857</u>	<u>(1,310,867)</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment	(101,413,645)	(20,389,603)
Purchases of investments	(114,479,740)	(115,725,473)
Proceeds from sales of investments	106,767,362	50,049,305
Student direct lending receipts	68,021,472	63,587,551
Student direct lending disbursements	(68,223,525)	(63,617,328)
Disbursements of loans to students	(4,310,223)	(3,201,200)
Repayments of loans from students	3,435,698	2,328,425
Contributions to limited partnership interests	(10,234,376)	(10,123,538)
Distributions from limited partnership interests	11,594,887	19,391,109
Net cash used in investing activities	<u>(108,842,090)</u>	<u>(77,700,752)</u>
Cash flows from financing activities		
Cash contributions restricted for long-term purposes	16,781,483	71,330,193
Payments of annuity obligations	(206,982)	(202,850)
Increase in annuities payable from gifts	179,047	-
Repayments of notes payable of consolidated subsidiaries	(1,401,315)	(1,344,782)
Repayments of infrastructure debt	(1,094,396)	(992,936)
Issuance of long-term debt	281,211,674	84,706,399
Repayments of long-term debt	(6,483,376)	(5,809,727)
Retirement of long-term debt	(84,097,807)	-
Proceeds from lines of credit	25,469,137	9,500,118
Repayments of lines of credit	(30,969,137)	(4,000,118)
Net cash provided by financing activities	<u>199,388,328</u>	<u>153,186,297</u>
Net change in cash and cash equivalents	90,710,095	74,174,678
Cash and cash equivalents, beginning of year	<u>139,968,236</u>	<u>65,793,558</u>
Cash and cash equivalents, end of year	<u>\$ 230,678,331</u>	<u>\$ 139,968,236</u>
Supplemental cash flow data		
Cash paid for interest	\$ 8,789,284	\$ 9,181,612
Operating cash flows from operating leases	\$ 1,334,292	\$ 1,255,128
Supplemental noncash investing and financing activity		
Capital expenditures incurred, but not paid	\$ 16,640,029	\$ 1,099,425

See accompanying notes to consolidated financial statements.

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 - GENERAL

Samford University (the "University") is comprised of the School of the Arts, Howard College of Arts and Sciences, Brock School of Business, Beeson Divinity School, Orlean Beeson School of Education, School of Health Professions, Cumberland School of Law, Moffett & Sanders School of Nursing, McWhorter School of Pharmacy, and the School of Public Health.

In December 2014, the University, purchased property adjacent to the main campus consisting of approximately 27 acres of land and three office buildings. Subsequent to the purchase, the parcel was divided into four separate parcels, three of which each contain one Class A office building. The University established four separate single member LLC entities of which the University is the sole owner and member. Three of the single member entities, SPCAMPUS I LLC ("SPC I"), SPCAMPUS II LLC ("SPC II") and SPCAMPUS III LLC ("SPC III"), each own a parcel of land with one building and Samford Properties East ("SPE") owns an outparcel of land consisting of approximately 8 acres. SPC III has a single third-party tenant in its building with a long-term lease. The real estate held by SPC III is held for investment as part of the University's endowment. The parcels owned by SPC I and SPC II each include a building to be used by the University to further its mission and are therefore consolidated into the University's consolidated financial statements. There are long-term leases in place between the University and these entities for the use of the buildings. SPE is also consolidated into the University's consolidated financial statements.

In June 2024, the University executed two ground lease agreements with the Educational Building Authority of the City of Homewood (the "Authority"). The ground leases have no related payments and are solely for the purpose of establishing the right of the Authority to finance and locate buildings on the University's land. The Authority subsequently executed Bond Lease Agreements with CHF – Horizons I, L.L.C. ("CHF I") and CHF – Horizons II, L.L.C. ("CHF II"), each of which are single member LLC entities controlled by Collegiate Housing Foundation (the "Foundation") a tax-exempt 501(c)(3) organization. CHF I and CHF II subsequently issued Borrower Security Agreements with Regions Bank as Trustee. The Foundation is a nonprofit corporation formed in 1996 under the laws of the State of Alabama for charitable and educational purposes, including the purpose of assisting colleges and universities in providing housing and other facilities to their students to further the mission of the related institution.

The first ground lease was for land being used to construct, furnish and equip a Recreation Facility of approximately 154,000 square feet (the "Recreation Project"). The term is from June 1, 2024 until and including October 1, 2059. The University has executed a Facility Lease Agreement (the "Facility Lease") with CHF I in connection with the issuance of the 2024-A and 2024-B bonds. CHF I acquired the partially constructed Recreation Center and repaid in full the outstanding indebtedness under an existing term loan agreement between the University and United Financial of Illinois, Inc. (subsequently assigned to MassMutual Asset Finance, LLC). The Facility Lease requires the University to operate the Recreation Facility.

The second ground lease with a term from June 1, 2024 until and including October 1, 2061 was for land to be used to construct a Freshman Housing Facility of approximately 513 beds, 140 beds for Greek Housing, and an expansion of approximately 540 spaces in the North Parking Deck and other Offsite Improvements (the "Student Housing and Parking Project"). The Authority issued Series 2024-A and 2024-B tax-exempt and taxable bonds, respectively, with CHF I for the Recreation Project and Series 2024-C and Series 2024-D tax-exempt and taxable bonds, respectively, with CHF II for the Student Housing and Parking Project. As a result of the University's control over these projects both during and after construction, the University determined it was necessary to consolidate CHF I and CHF II as part of the University's consolidated financial statements.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 1 – GENERAL (Continued)

The University also executed an Affiliation Agreement and a Management Agreement with CHF II that requires the University to construct, maintain, and manage the housing and parking improvements. Pursuant to the Affiliation Agreement, the University is obligated to make New Facilities Rental Allocation Payments (the “NFRA Payments”) to CHF II as part of the pledged revenues to support the project. As the debt of CHF II is included in the University’s consolidated financial statements, these NFRA payments, which begin in fiscal year ending June 30, 2026, will be eliminated as part of the consolidation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The University determined that both CHF I and CHF II should be consolidated into the University’s consolidated financial statements. For fiscal year ending June 30, 2024, this consists primarily of cash and investments held by Regions Bank as bond trustee, construction in progress, and the related outstanding debt. Any transactions between the University and CHF I or CHF II have been eliminated as part of the consolidation.

The accompanying consolidated financial statements include the accounts of the University, its wholly owned subsidiaries SPC I, SPC II and SPE, plus affiliates CHF I and CHF II, after the elimination of intercompany balances and transactions, and have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Management has chosen to separately reflect on the consolidated statements of financial position the balances of notes payable related to its wholly owned consolidated subsidiaries and the activities are reflected in the consolidated statement of activities and changes in net assets as a net loss of consolidated subsidiaries. Total revenues of the entities were approximately \$4,200,000 and \$3,900,000 during the 2024 and 2023 fiscal years, respectively. Revenue is primarily from rentals paid by the University under the lease agreements, plus interest income. The rental income is eliminated during consolidation. Total equity of these entities was \$12,500,000 and \$16,200,000 at June 30, 2024 and 2023, respectively. Expenses consist primarily of interest on the mortgages payable and depreciation on the purchase of the facilities.

Financial Statement Presentation: The consolidated financial statements report the changes in and totals of each net asset class based on the absence or the existence of donor restrictions. Net assets are classified as without donor restrictions or with donor restrictions as described below:

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the University. Net assets without donor restrictions include undesignated net assets and net assets that are Board designated for endowment.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature while others are perpetual in nature.

The University presents its consolidated statement of activities and changes in net assets in order to provide an intermediate measure of operational performance. Management and the Board believe this presentation provides enhanced information for both internal and external users to measure and compare the operating performance of the University.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The change in net assets from operating activities is intended to present all income and expenses used in current operations. Operating activities include providing instruction, academic support, libraries, and other supporting services, such as room and board, to undergraduate and graduate students of the University. Net assets released from restrictions represent net assets with donor restrictions available and used in the current period. Descriptions of other changes follow.

Investment income in the operating statement includes endowment income distributed for operations, net loss from consolidated subsidiaries (SPC I, SPC II and SPE) after elimination of intercompany transactions, and income or loss from operating investments.

Other Changes

Other Components of Net Periodic Pension Cost: This adjustment represents the components of net periodic pension cost including interest cost on the obligation, changes due to expected return on plan net assets, and amortization of various amounts deferred from previous periods. As a result of the full freeze on the defined benefit pension plan as of December 31, 2020, the net periodic pension cost is now reflected in the Other Changes section of the consolidated statements of activities and changes in net assets. For fiscal year ending June 30, 2024, this amount included approximately \$4,800,000 of settlement expense related to executing some annuity agreements and lump sum payments from plan assets (Note 9).

Pension Liability Adjustment: This adjustment, determined annually, increases or decreases the pension plan obligation reported within the consolidated statements of financial position and represents the net change in the University's obligation to pay projected pension benefits and the assets held to meet that obligation.

Changes in Finance Capital

Net Investment Income (Loss): These amounts include the investment returns (losses) on financial assets held in endowed funds and are reported net of investment expense.

Draws From Endowment for Operations: These amounts reflect the transfer of investment earnings or accumulated earnings from endowed funds for current operations based on the Board approved spending policy. This amount may also include additional Board approved transfers to operations for the pension or other exceptional obligations.

Capital Gifts for Loan, Annuity and Endowment Funds: To provide a complete picture of the level of contributions and gifts, these amounts are separately identified from other revenue sources within the finance capital category and represent specified donor gifts, generally of long-term duration.

Change in Value of Split-Interest Agreements: These amounts include changes in three categories of contributed assets as follows: the change in contributions receivable from trusts held by third parties, the change in beneficial interest in perpetual trusts, and the change in gift annuities and split-interest agreements. Changes in these assets annually include the net earnings on investments held by the University, related interest expense on amounts owed to specified beneficiaries, and annual adjustments of any outstanding obligations to specified beneficiaries.

Changes in Loan Funds: These amounts represent receipt of additional institutional loan funds from third parties and various federal loan programs, such as nurse faculty loans, plus the net activities of previously received funds. In addition, required paybacks of federal loan funds, such as Perkins, would also be reflected in this category.

(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Transfers Between Operating, Endowment and Other Funds: These amounts represent the movement of funds between categories for various purposes and, where applicable in accordance with donor restrictions.

Changes in Capital Facilities

Changes in Plant Funds, Excluding Capital Gifts: These amounts include revenue within the plant funds, such as gain on sale of assets and current plant fund expenditures.

Capital Gifts for Plant: These amounts represent contributions restricted for the purchase of capital items.

Net Assets Released from Restrictions for Capital Additions: These amounts represent the release from restrictions for gifts received for capital projects. The University reports expirations of donor restrictions on net assets to be expended for specific capital projects when the acquired or constructed long-lived asset(s) are placed in service.

Net Assets and Revenues, Expenses, Gains, and Losses

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions: These amounts represent net assets not subject to donor-imposed restrictions, including Board or management designated appropriations.

Net Assets With Donor Restrictions: These amounts represent net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. These amounts also represent net assets subject to donor-imposed stipulations that require the assets to be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

The University reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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 statement of activities and changes in net assets as net assets released from restrictions (Note 11).

The University reports gifts of property, plant, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets designated by the donor to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and Cash Equivalents: The University considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents. The University maintains a sweep account with a financial institution in which the account balance is associated with both an operating line of credit and an institutional liquidity fund, primarily invested in government securities and repurchase agreements. On a nightly basis, any excess cash is invested in the institutional liquidity fund in the University's name. In the event of a cash shortfall in the operating account, the bank will automatically pull cash from the institutional fund if funds are available or use the line of credit to cover amounts paid from the disbursement account. Any excess cash in the operating account automatically reduces the amount outstanding on the line of credit first, and then any remaining amount is invested in the institutional fund.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2024 and 2023, the balance in cash and cash equivalents included \$8,300,000 and \$13,200,000, respectively, of cash managed by external investment managers as part of the endowment.

As of June 30, 2024, bond trustees held \$202,700,000 related to proceeds from bond issues funding the CHF I, CHF II and other capital projects. As of June 30, 2023, the bond trustee held \$19,000,000 to be used for various capital projects. The University expects to spend the majority of these proceeds during fiscal year ending June 30, 2025.

Accounts and Other Receivables: Included in accounts receivable are student receivables derived from the University's billing of tuition and fees. The amount of student receivables included in accounts receivable totaled approximately \$2,101,000 and \$3,036,000 at June 30, 2024 and 2023, respectively, which are presented net of an allowance for doubtful accounts of approximately \$556,000 and \$396,000 at June 30, 2024 and 2023, respectively.

In addition, the United States Department of Education requires all Title IV loans to be handled directly through the government ("Direct Lending"). As loans are processed through the Direct Lending program, the amounts are credited to each student's account. Subsequently, the University then draws from the Direct Lending pool funded by the government. The timing difference of disbursements to the student accounts and the draw from the government creates a temporary receivable which is included in this category.

Marketable Securities and Other Investments: Investments in equity securities, mutual funds, commingled funds, real asset funds and debt securities are reported at fair value. Fair value for these investments is based on quoted market prices or dealer quotes, where available.

The University also invests in alternative investments such as hedge funds, real estate funds, limited partnerships, and other investments which are reported at fair value. The University has adopted the authoritative guidance in GAAP, for estimating the fair value of investments in investment funds that have calculated Net Asset Value ("NAV") per share (or its equivalent). According to GAAP, a reporting entity is permitted to estimate the fair value of an investment in an investment fund using the NAV per share of the investment (or its equivalent) without further adjustment, if the NAV per share of the investment is determined as of the reporting entity's measurement date.

Accordingly, the University uses the NAV as reported by the fund managers as a practical expedient, to determine the fair value of investments in investment funds which (a) do not have a readily determinable fair value and (b) either have the attributes of an investment fund or prepare their financial statements consistent with the measurement principles of an investment fund. At June 30, 2024 and 2023, the fair value of these alternative investments has been determined by using NAV as a practical expedient.

The University also considers authoritative investment guidance specific to not-for-profit organizations. For certain other investments, the University carries investments in entities in which the University is the sole member of a limited liability corporation that is the functional equivalent of a limited partnership at fair value.

Both realized and unrealized gains and losses are reflected in the consolidated statements of activities and changes in net assets as changes in net assets without donor restrictions or with donor restrictions, in accordance with the donor's stipulations concerning the purposes for which ordinary income may be used.

Pledges Receivable: Unconditional promises to give are recognized as revenues at their fair values in the period the unconditional promise is made. Unconditional promises to give with payments due in future periods are discounted using a rate commensurate with the risks involved (Note 3).

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Student Loans Receivable: Student loans receivable represents financial aid awarded to students primarily under the Perkins Title IV federal program and under Title VIII of the Public Health Service Act. The Perkins loans are self-perpetuating funds, and the Federal contributions to the University's loan programs are considered refundable advances and are presented as a liability in deposits held on behalf of others in the consolidated statement of financial position (Note 4). The Title VIII loans are received through an annual notice of award from the United State Department of Health and Human Services and up to 85% of the loan balances are forgiven as students satisfy certain requirements after completion of their educational programs. The Perkins Title IV federal program has been discontinued by the federal government and therefore, no new Perkins loans could be made after June 30, 2018. The University has begun returning cash on hand from the Perkins Fund as requested by the U.S. Department of Education (the "Department") and is working with a third-party vendor to wind down the program (Note 4).

Property, Plant, and Equipment: Property, plant and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts, less accumulated depreciation computed on a straight-line basis over the estimated useful lives of the assets. Gain or loss on disposition of assets is reflected in the statement of activities and changes in net assets, and the related asset cost and accumulated depreciation are removed from the respective accounts. Useful lives by major asset class are as follows:

Land improvements	10-20 years
Buildings	15-50 years
Furniture, fixtures and computer equipment	3-10 years
Library books	7-10 years

Beneficial Interest in Perpetual Trusts: Perpetual trusts are trusts under which the University will receive income distributions in perpetuity, but will never receive the corpus of the trust assets (principal). Perpetual trusts are initially recorded as contribution revenue with donor restrictions at the fair value of the University's interest in the trust assets at the date of gift. Subsequent changes to the trust's fair value are recorded as a change in value of split interest agreements in the statements of activities and changes in net assets. Income received from perpetual trusts is recognized as investment income without donor restrictions or with donor restrictions, depending on donor-imposed purpose restrictions. The University's interest in these trusts was approximately \$11,638,000 and \$11,425,000 at June 30, 2024 and 2023, respectively.

Contributions Receivable From Trusts Held by Third Parties: The University is the beneficiary of various charitable remainder trust funds administered by unaffiliated organizations. Under the terms of the agreements, the University has the irrevocable right to receive the remaining assets of the trusts upon the death of a specified beneficiary or beneficiaries. The fair value of the remainder interest expected to be received from the trusts, net of the present value of expected beneficiary payments, is approximately \$430,000 and \$414,000 at June 30, 2024 and 2023, respectively, and is reflected in the consolidated statement of financial position as contributions receivable from trusts held by third parties. Any change in value related to these trusts is recorded as a change in value of split-interest agreements in the statement of activities and changes in net assets.

Long-Lived Assets: The University recognizes impairment losses on long-lived assets used in operations when indicators of impairment are present and the carrying values of the assets exceed the asset's fair value. There were no such losses recognized during fiscal 2024 or 2023.

Lines of Credit: The University maintains a Master Note Agreement for a \$15,000,000 revolving operating line of credit with Regions Bank. The line of credit bears interest at a variable rate based upon the secured overnight financing rate (SOFR) with a floor of 3.50%. The Master Note Agreement has a current expiration date of November 30, 2024. The outstanding balance was \$0 at June 30, 2024 and 2023.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University also maintains a Capital Line of Credit Agreement and related Capital Credit Note (the "Note") for a \$30,000,000 taxable revolving line of credit with Regions Commercial Equipment Finance, LLC. The Note bears interest at a variable rate based upon SOFR with a floor of 3.50% and has a maturity date of November 30, 2024. The outstanding balance was \$0 and \$5,500,000 at June 30, 2024 and 2023, respectively.

Gift Annuities and Split-Interest Agreements: The University enters into gift annuity agreements and other split-interest agreements that require an annuity to be paid to the donor or the donor's beneficiary, funded by the donated assets, over a designated period of time or the beneficiary's lifetime, with the remainder becoming a gift to the University.

The difference between the present value of the estimated liability and the fair value of the gift is recognized as contribution revenue without donor restrictions or with donor restrictions at the date of gift, depending on donor-imposed purpose restrictions. The discount rate assumptions used to estimate the present value of the annuity liabilities range between 0.6% and 9.6% and do not change over the term of the agreement. During the term of the agreement, the actuarially determined liability is adjusted for revaluations of expected future payments to the beneficiaries based on changes in the life expectancy of the beneficiary. Any change in value related to actuarial adjustments of the annuity and split-interest obligations is recorded as a change in value of split-interest agreements in the statements of activities and change in net assets. Annuities payable were approximately \$2,190,000 and \$2,079,000 at June 30, 2024 and 2023, respectively.

Revenue Recognition: Net tuition revenues consisted primarily of tuition, net of scholarships, and fees derived from courses taught by the University, as well as from related educational resources that the University provided to its students, such as access to online materials. Tuition revenue was recognized pro-rata over the applicable period of instruction. For the years ended June 30, 2024 and 2023, the University's revenue was reduced by approximately \$89,807,000 and \$79,317,000, respectively, as a result of scholarships that the University offered to students. Contracts have been entered into with students covering a course or semester. Revenue recognition occurs over the applicable academic term. The University had no costs that were capitalized to obtain or to fulfill contracts with students.

Auxiliary revenues include primarily the following operations: food service and student housing. The food service and student housing revenues are included within board and lodging in the consolidated statements of activities and changes in net assets. Charges to students for board and lodging 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.

The following table presents our revenues disaggregated by the nature of transfer of services for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undergraduate programs	\$ 146,361,999	\$ 134,328,354
Graduate programs	63,621,250	63,854,399
Less: scholarships and fellowships	<u>(89,807,379)</u>	<u>(79,316,839)</u>
Net tuition revenues	120,175,870	118,865,914
Board and lodging	<u>29,868,404</u>	<u>26,783,890</u>
Total revenues from contracts with customers	<u>\$ 150,044,274</u>	<u>\$ 145,649,804</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The University presents amounts expended for scholarships and fellowships as a reduction of tuition and fees revenue in the statement of activities and changes in net assets. Scholarships and fellowships are funded from both net assets without donor restrictions and with donor restrictions of the University. During fiscal 2024, approximately \$89,807,000 was expended for scholarships and fellowships, of which approximately \$8,406,000 was funded from net assets with donor restrictions. During fiscal 2023, approximately \$79,317,000 was expended for scholarships and fellowships, of which approximately \$6,360,000 was funded from net assets with donor restrictions.

The University's receivables represented unconditional rights to consideration from its contracts with students. Once a student is invoiced, payment is due prior to the start of classes. Included in each invoice to the student were all educational related items including tuition, net of scholarships, housing, fees, etc. The University did not have any contract assets. The University's contract liabilities were reported as deferred revenue and student deposits in the consolidated statement of financial position. Deferred revenue and student deposits in any period represented the excess of tuition, fees, and other student payments received as compared to amounts recognized as revenue on the consolidated statement of activities and were reflected as liabilities in the accompanying consolidated statement of financial position. Some of the University's education programs had starting and ending dates that differ from its fiscal year end. Therefore, at the end of the fiscal year end, a portion of revenue from these programs was not yet earned.

The University had identified a performance obligation associated with the provision of its educational instruction and other educational services, housing services, and other academic related services and used the output measure for recognition as the period of time over which the services were provided to our students. The University had identified performance obligations related to its dining services and student housing and recognized revenue at the point in time services were provided to its customers. The University maintained an institutional tuition refund policy, which provided for all or a portion of tuition to be refunded if a student withdrew during stated refund periods. If a student withdrew at a time when only a portion, or none of the tuition was refundable, then in accordance with its revenue recognition policy, the University continued to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University did not record revenue on amounts that were refunded.

However, for students that had taken out financial aid to pay their tuition and for which a return of such money to the Department of Education under Title IV was required as a result of his or her withdrawal, the University reassessed collectability for these students each quarter for the estimated revenue that will be returned and recognized the revenue in future periods when payment was received. The University had elected the short-term contract exemption with respect to its performance obligations under its contracts with students as all such contracts had original terms of less than one year.

Deferred Revenue: Deferred revenue from contracts with customers represents payments received in advance for which services have not been performed as of June 30. The following table represents activities for deferred revenue related to tuition.

Balance at July 1, <u>2023</u>	Revenue Recognized <u>2024</u>	Cash Received in Advance of <u>Performance</u>	Balance at June 30, <u>2024</u>
\$ 5,787,736	\$ 5,787,736	\$ 5,866,257	\$ 5,866,257
Balance at July 1, <u>2022</u>	Revenue Recognized <u>2023</u>	Cash Received in Advance of <u>Performance</u>	Balance at June 30, <u>2023</u>
\$ 6,392,956	\$ 6,392,956	\$ 5,787,736	\$ 5,787,736

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The balance of deferred revenue from contracts with customers at June 30, 2024, less any refunds issued, will be recognized as revenue over the academic term beginning July 1, 2024, as services are rendered.

Other deferred revenue primarily relates to grant funds received for which the grant term extends beyond the current fiscal year and the revenue will be recognized as the work related to the grants is incurred.

Other Significant Policies

Gifts are recorded at fair value at date of donation. Private gifts and government grants that are not considered exchange transactions, including pledges, are recognized in the period received. Conditional gifts, with a barrier and right of return, are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at estimated fair value. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible pledges receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fund-raising activity.

Contributions received with donor-imposed restrictions that are met in the same year as the gifts are received are reported as revenue of the net asset without donor restrictions class. Contributions of land, building, and equipment without donor-imposed restrictions concerning the use of such long-lived assets are reported as revenue of the net asset without donor restrictions class. Contributions of cash or other assets to be used to acquire land, building, and equipment with such donor restrictions are reported as revenue of the net asset with donor restrictions class; the restrictions are considered to be released at the time the long-lived assets are placed in service.

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except for income taxes on any unrelated business income, if applicable. There was no provision for income taxes due on unrelated business income in fiscal years 2024 and 2023, and there are no uncertain tax positions considered to be material.

Real estate to be used by the University is stated at cost at the date of acquisition or appraised value at the date of donation in the case of gifts. Real estate held for investment is carried at its fair value.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Concentration of Credit Risk: The University maintains cash and cash equivalents with various major financial institutions. Cash equivalents include investments in commercial paper of companies with high credit ratings, investments in money market securities, investments in securities backed by the U.S. government, and repurchase agreements with major financial institutions. At times, such amounts may exceed the Federal Deposit Insurance Corporation insured limit of \$250,000 per bank. The University believes no significant concentration of credit risk exists with respect to these cash investments.

Subsequent Events: The University has evaluated its subsequent events through October 11, 2024, the date the consolidated financial statements were issued.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable, consisting of unconditional promises to give, were as follows at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Estimated future cash flows from unconditional promises to give before unamortized discount	\$ 24,819,851	\$ 32,084,126
Less: Unamortized discount	(1,409,555)	(1,347,059)
Less: Allowance for doubtful pledges	<u>(173,063)</u>	<u>(171,533)</u>
Pledges receivable, net	<u>\$ 23,237,233</u>	<u>\$ 30,565,534</u>
Amounts due in		
Less than one year	\$ 15,436,077	\$ 23,100,518
One year to five years	8,922,774	8,588,008
More than five years	<u>461,000</u>	<u>395,600</u>
	<u>\$ 24,819,851</u>	<u>\$ 32,084,126</u>

Estimated future cash flows to be received are discounted at the pledge date using rates ranging from 4.34% to 5.59%, based on risk-adjusted United States Treasury rates commensurate with the various terms of the outstanding pledges and terms which would be demanded by market participants. The remaining gift to be received from the estate of Marvin Mann in fiscal year 2024 represents 49% of the outstanding pledge balance. The majority of assets supporting this pledge are currently held in highly liquid investments.

NOTE 4 - STUDENT LOANS RECEIVABLE AND DEPOSITS HELD ON BEHALF OF OTHERS

Student Loans Receivable: Student loans receivable represents financial aid awarded to students primarily under the Perkins Title IV federal program and under Title VIII of the Public Health Service Act. The Perkins loans are self-perpetuating funds, and the Federal contributions to the University's loan programs are considered refundable advances and are presented as a liability in deposits held on behalf of others in the consolidated statements of financial position. The Title VIII loans are received through an annual notice of award from the United State Department of Health and Human Services. During fiscal year 2024, the government required the University to return approximately \$311,000 to the Department as part of the close out of the Perkins program. No new loans have been made after June 30, 2018. The government will continue to wind down the Perkins program and the University will work with a third-party provider to assign loans back to the government.

For the long-term student loans receivable, the University records an allowance for uncollectible loans (credit losses) as follows:

	<u>2024</u>		<u>2023</u>	
	<u>Receivable Balance, Net</u>	<u>Related Allowance</u>	<u>Receivable Balance, Net</u>	<u>Related Allowance</u>
Perkins, net	\$ 876,071	\$ 452,891	\$ 1,169,058	\$ 452,871
Other student loans, net	<u>16,832,133</u>	<u>430,918</u>	<u>15,664,621</u>	<u>433,053</u>
	<u>\$ 17,708,204</u>	<u>\$ 883,809</u>	<u>\$ 16,833,679</u>	<u>\$ 885,924</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 4 - STUDENT LOANS RECEIVABLE AND DEPOSITS HELD ON BEHALF OF OTHERS
(Continued)

Management regularly assesses the adequacy of the allowance for uncollectible loans by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. Management also reviews loans in default compared to prior years. The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain nonrepayment situations. In these situations, the Federal portion of the loan balance is guaranteed.

It is the University's general practice to send loans to a collection agency when they are delinquent 120 days or more, and appropriate notification has been made to the student that the loan is considered in default. Loans less than 120 days delinquent are deemed to have a minimal delay in payment and are generally not sent to collections. No allowance is made for loans not in collection. Considering the factors already discussed herein, management considers the allowance for credit losses to be prudent and reasonable. The total past due amounts at June 30, 2024 and 2023, were \$1,506,000 and \$298,000, respectively.

Deposits Held on Behalf of Others: Deposits held on behalf of others at June 30, 2024 and 2023, which includes student loans receivable for financial aid awarded to students primarily under Title IV federal programs are comprised of the following:

	<u>2024</u>	<u>2023</u>
Agency funds	\$ 595,260	\$ 579,421
Student deposits	515,830	506,176
Federal funds	<u>1,873,237</u>	<u>1,942,566</u>
	<u>\$ 2,984,327</u>	<u>\$ 3,028,163</u>

NOTE 5 - MARKETABLE SECURITIES AND OTHER INVESTMENTS

The University reviews the investments in marketable securities and other investments to determine the appropriate fair value of each class of assets. The assumptions used by the University are disclosed in Note 14.

Marketable Securities: Marketable securities at June 30, 2024 and 2023 consist of the following:

	<u>2024</u>	<u>2023</u>
Public equity	\$ 240,079,971	\$ 190,645,583
Fixed income	60,391,154	52,766,621
Hedge funds	43,770,199	41,758,313
Real assets	<u>-</u>	<u>17,960,926</u>
	<u>\$ 344,241,324</u>	<u>\$ 303,131,443</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 5 - MARKETABLE SECURITIES AND OTHER INVESTMENTS (Continued)

The University's investments in public equity investments consists of publicly traded equity, mutual funds, and other commingled investment funds. The investments in fixed income funds includes investments such as U.S. government securities and corporate and asset-backed securities.

The University's hedge fund investments include (i) investments in hedge funds that invest both long and short primarily in U.S. and non-U.S. common stocks, as well as (ii) investments in hedge funds that pursue multiple strategies to diversify risks and reduce volatility, such as investments in credit-oriented securities and merger arbitrage investments. The University's hedge fund investments contain various redemption restrictions with required notice periods. Redemption terms for these funds typically restrict withdrawals of capital for a defined "lock-up" period after investment, and thereafter allow withdrawals on a quarterly, semi-annual or annual basis with notice periods ranging from 30 to 90 days. Lock-up periods for such funds generally expire within one year after the measurement date. Real assets include public investments in natural resources.

Other Investments: Other investments consist of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Limited partnership interests	\$ 66,537,020	\$ 68,664,131
Real estate held	43,047,647	40,187,580
Life insurance contracts and other	<u>106,867</u>	<u>106,867</u>
	<u>\$ 109,691,534</u>	<u>\$ 108,958,578</u>

During fiscal year ending June 30, 2014, the University formed a single member LLC, University Park Holdings, LLC "UPH", for the purpose of buying, selling, owning, operating and otherwise dealing in real estate. Samford University is the sole member of UPH. UPH purchased a 5-story Class A 122,654 square foot office property built in 1999 for the purpose of long-term investment. The property sits on approximately 12 acres across from the University's main campus.

During fiscal year ending June 30, 2015, the University formed SPCAMPUS III LLC as a single member LLC for the purpose of owning a 5-story Class A 156,000 square foot office building built in 2004 for the purpose of long-term investment. The property sits on approximately 6 acres adjacent to the University's main campus.

These directly held real estate investments of the endowment are classified in the real estate held category of other investments and are currently held at fair value based on appraised value adjusted for changes in assets and liabilities of the entities. Changes in the investment value and distributions of earnings are recorded as part of the investment income of the endowment. Both properties were purchased using cash of the endowment, plus permanent nonrecourse financing over a 20-year term.

The University also owns limited partnership interests in several nonregistered investment partnerships managed by a general partner. These investments represent illiquid investments in venture capital, private equity, energy funds and real estate funds. The University's commitments and contributions to these funds are set forth in Note 13. The University makes initial investments in each partnership and is required to make additional contributions, not to exceed the original commitment amount, upon notice from the general partners. The fair value of these investments is calculated from the University's ownership in these funds. The nature of investments in this category is such that distributions are received from income and through liquidation of the underlying assets of the funds. These funds have terms that range from 7 to 12 years.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 6 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment of the University, excluding that held by SPC I, SPC II and SPE, consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 23,785,312	\$ 23,785,312
Land improvements	58,952,992	58,949,994
Buildings	466,688,595	457,127,187
Furniture, fixtures, and computer equipment	69,811,861	67,305,726
Library books	37,288,715	37,214,136
Construction in progress	<u>15,813,577</u>	<u>11,933,442</u>
	672,341,052	656,315,797
Accumulated depreciation	<u>(347,410,744)</u>	<u>(331,198,308)</u>
	<u>\$ 324,930,308</u>	<u>\$ 325,117,489</u>

Property, plant, and equipment held by the University's subsidiaries SPC I, SPC II and SPE, consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Land	\$ 7,980,000	\$ 7,980,000
Land improvements	1,556,000	1,556,000
Buildings	<u>21,094,000</u>	<u>21,094,000</u>
	30,630,000	30,630,000
Accumulated depreciation	<u>(5,197,804)</u>	<u>(4,499,730)</u>
	<u>\$ 25,432,196</u>	<u>\$ 26,130,270</u>

Property, plant, and equipment held by the University's consolidated entities CHF I and CHF II consisted of the following at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Construction in progress	\$ <u>96,225,917</u>	\$ <u>-</u>
Property, plant and equipment consolidated, net	<u>\$ 446,588,421</u>	<u>\$ 351,247,759</u>

Depreciation expense of the University was approximately \$16,684,000 and \$16,524,000 in fiscal 2024 and 2023, respectively. At June 30, 2024, there were significant outstanding commitments on construction in progress. At June 30, 2024, Construction in progress included approximately \$4,859,000 of capitalized interest. At June 30, 2024, the University's remaining commitment to construction in progress was approximately \$137,055,000.

Included in property, plant and equipment is property financed under finance leases disclosed in Note 7.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 - LONG-TERM DEBT

Long-term debt under finance leases, excluding the Notes Payable of SPC I, SPC II and infrastructure debt consists of the following at June 30, 2024 and 2023:

University:

	<u>2024</u>	<u>2023</u>
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2017-A, maturing serially beginning December 2031 and maturing at different intervals through December 2046 with interest rates ranging from 4.00% to 5.00%.	\$ 46,640,000	\$ 46,640,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2019-A, maturing serially beginning December 2033 and maturing at different intervals through December 2049 with an interest rate of 4.00%.	60,020,000	60,020,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2019-B, maturing serially beginning December 2020 and maturing at different intervals through December 2048 with interest rates ranging from 2.17% to 3.95%.	57,755,000	60,100,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2021-A, maturing serially beginning December 2042 and maturing at different intervals through December 2051 with interest rates ranging from 2.50% to 4.00%.	20,670,000	20,670,000
Fixed Rate Educational Facilities Revenue Bonds, Samford University Series 2021-B, maturing serially beginning December 2022 and maturing at different intervals through December 2042 with interest rates ranging from 2.00% to 3.45%.	33,910,000	37,030,000
Fixed Rate Term Loan with United Financial of Illinois, Inc., maturing quarterly through June 2054 with an interest rate of 6.08%.	-	84,706,399
	<u>218,995,000</u>	<u>309,166,399</u>
Unamortized premium (discount)		
Unamortized premium on Series 2017-A bonds	3,079,527	3,213,420
Unamortized discount on Series 2017-A bonds	(209,938)	(219,033)
Unamortized premium and cost on Series 2019-A bonds	3,771,772	4,005,106
Unamortized discount and cost on Series 2019-B bonds	(315,944)	(360,608)
Unamortized premium and cost on Series 2021-A bonds	1,129,627	1,179,553
Unamortized discount and cost on Series 2021-B bonds	<u>(178,336)</u>	<u>(131,946)</u>
University long-term debt	<u>\$ 226,271,708</u>	<u>\$ 316,852,891</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 - LONG-TERM DEBT (Continued)

CHF Horizons I and CHF Horizons II:

	<u>2024</u>	<u>2023</u>
Fixed Rate Educational Facilities Revenue Bonds, CHF Horizons I L.L.C. Recreation Center Series 2024-A, maturing serially beginning December 2034 and maturing at different intervals through December 2054 with interest rates ranging from 5.25% to 5.50%.	\$ 75,705,000	\$ -
Fixed Rate Educational Facilities Revenue Bonds, CHF Horizons I L.L.C. Recreation Center Series 2024-B, maturing serially beginning December 2025 and maturing at different intervals through December 2034 with interest rates ranging from 6.81% to 6.95%.	14,580,000	-
Fixed Rate Educational Facilities Revenue Bonds, CHF Horizons II L.L.C. Student Housing and Parking Series 2024-C, maturing serially beginning October 2044 and maturing at different intervals through October 2056 with interest rates ranging from 5.00% to 5.50%.	121,675,000	-
Fixed Rate Educational Facilities Revenue Bonds, CHF Horizons II L.L.C. Student Housing and Parking Series 2024-D, maturing serially beginning October 2027 and maturing at different intervals through October 2044 with interest rates ranging from 6.81% to 7.42%.	68,290,000	-
	280,250,000	-
Unamortized premium (cost of issuance)		
Unamortized premium and cost on Series 2024-A bonds	1,841,250	-
Unamortized cost on Series 2024-B bonds	(296,426)	-
Unamortized premium and cost on Series 2024-C bonds	864,902	-
Unamortized cost on Series 2024-D bonds	(1,448,052)	-
CHF I and CHF II long-term debt	\$ 281,211,674	\$ -
Total long-term debt	\$ 507,483,382	\$ 316,852,891

Fixed Rate Term Loan: On June 30, 2023, the University closed on a term loan (the "Loan") with United Financial of Illinois to finance the design and construction of the University's campus recreation and wellness complex. This loan was paid off with proceeds from the Series 2024-A and Series 2024-B bonds.

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 - LONG-TERM DEBT (Continued)

As of June 30, 2024, annual principal maturities of long-term debt of the University are as follows:

<u>Years Ending</u>	
2025	\$ 5,585,000
2026	5,710,000
2027	5,845,000
2028	5,980,000
2029	6,125,000
Thereafter	<u>189,750,000</u>
	<u>\$ 218,995,000</u>

As of June 30, 2024, annual principal maturities of long-term debt of the CHF I and CHF II are as follows:

<u>Years Ending</u>	
2025	\$ -
2026	1,125,000
2027	1,200,000
2028	3,405,000
2029	3,635,000
Thereafter	<u>270,885,000</u>
	<u>\$ 280,250,000</u>

The University has entered into various agreements with the Authority, CHF I, and CHF II to collateralize the debt by the pledge of revenues received under the corresponding lease agreements.

The University's long-term debt is subject to certain financial and non-financial covenants. The University reported that it was in compliance with all covenants at June 30, 2024.

Infrastructure Debt: In September 2016, the University entered into a Contingent Payment Performance Contract ("CPCC") with Johnson Controls, Inc. ("JCI") to provide capital improvements of approximately \$32,000,000, including capitalized interest. The contract calls for JCI to make the agreed upon improvements with a guarantee that the energy savings from such improvements would offset the cost of making the improvements over a period of 20 years. Under the current accounting guidelines, the University will treat this as a capital asset with corresponding debt on the University's balance sheet.

As of June 30, 2024, annual principal maturities of the infrastructure debt of the University are as follows:

<u>Years Ending</u>	
2025	\$ 1,201,747
2026	1,315,283
2027	1,435,306
2028	1,510,869
2029	1,588,911
Thereafter	<u>19,319,797</u>
	<u>\$ 26,371,913</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 7 - LONG-TERM DEBT (Continued)

Notes Payable of Consolidated Subsidiaries: SPC I and SPC II have outstanding mortgages which are nonrecourse notes for the permanent financing of the property purchased adjacent to the University's main campus. The notes bear interest at a rate of 4.125% and are collateralized by an assignment of rents and leases for the respective buildings owned by each of the entities. The notes mature on July 1, 2035 and can be accelerated only in the event of default. The notes allow partial prepayment on an annual basis without a prepayment penalty.

As of June 30, 2024, annual principal maturities of long-term debt of the SPC I and SPC II are as follows:

<u>Years Ending</u>	
2025	\$ 1,460,225
2026	1,521,611
2027	1,585,578
2028	1,652,234
2029	1,721,692
Thereafter	<u>12,148,997</u>
	<u>\$ 20,090,337</u>

NOTE 8 - GRANT AND CONTRACT REVENUE

Grant and contract revenue is comprised of the following for fiscal 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Private and other grants	\$ 2,053,026	\$ 1,773,734
Federal and state grants	2,480,696	2,816,170
Contracts	<u>115,310</u>	<u>142,265</u>
Net	<u>\$ 4,649,032</u>	<u>\$ 4,732,169</u>

In addition to the above grant revenue, the University received federal awards of approximately \$2,696,000 and \$2,321,000 in student financial aid awards during fiscal 2024 and 2023, respectively, which are not reflected in the consolidated statements of activities and changes in net assets. These federal awards represent agency transactions.

NOTE 9 - RETIREMENT BENEFITS

Defined Benefit Pension Plan

The University has established a defined benefit pension plan (the "Pension Plan") covering all full-time employees hired before December 31, 2012, who have attained the age of 21 and have completed one year of service. The Pension Plan provides pension benefits that are based on the average monthly earnings for the highest five full consecutive calendar years within the last ten years of benefit service and upon a multiple of years of benefit service (maximum of 25 years). Employees do not contribute to the Pension Plan. The University froze the Pension Plan to new entrants effective after December 31, 2012. Effective as of January 1, 2017, the Pension Plan was amended to modify the benefit formula for certain employees on a prospective basis. The University put in place a full freeze of the Pension Plan as of December 31, 2020. Therefore, no new benefits have accrued to any current participants in the Pension Plan after that date.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - RETIREMENT BENEFITS (Continued)

The following information pertains to the Pension Plan:

	<u>2024</u>	<u>2023</u>
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 232,768,270	\$ 234,627,338
Interest cost	11,030,137	11,299,945
Actuarial gain	(7,335,958)	(597,023)
Benefit payments	(12,834,306)	(12,546,072)
Settlements	<u>(18,792,120)</u>	<u>(15,918)</u>
Benefit obligation at end of year	<u>204,836,023</u>	<u>232,768,270</u>
Change in plan assets		
Fair value of plan assets at beginning of year	185,550,272	187,721,665
Actual return on plan assets	11,145,259	7,007,116
Employer contributions	3,282,319	3,383,481
Benefit payments	(12,834,306)	(12,546,072)
Settlements	<u>(18,792,120)</u>	<u>(15,918)</u>
Fair value of plan assets at end of year	<u>168,351,424</u>	<u>185,550,272</u>
Funded status at end of year	<u>\$ (36,484,599)</u>	<u>\$ (47,217,998)</u>

Amounts recognized in the consolidated statement of financial position consist of:

	<u>2024</u>	<u>2023</u>
Pension plan obligation	<u>\$ 36,484,599</u>	<u>\$ 47,217,998</u>

Amounts recognized in net assets without donor restrictions, but not yet recognized in net periodic benefit cost consist of:

	<u>2024</u>	<u>2023</u>
Net loss	<u>\$ 47,940,183</u>	<u>\$ 61,130,314</u>
	<u>\$ 47,940,183</u>	<u>\$ 61,130,314</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - RETIREMENT BENEFITS (Continued)

The projected and accumulated benefit obligations and the fair value of plan assets as of June 30 were:

	<u>2024</u>	<u>2023</u>
Projected benefit obligation	\$ 204,836,023	\$ 232,768,270
Accumulated benefit obligation	202,961,173	230,703,049
Fair value of plan assets	168,351,424	185,550,272
Net periodic benefit cost		
Interest cost	11,030,137	11,299,945
Expected return on plan assets	(11,658,654)	(12,335,906)
Settlement expense	4,811,850	-
Amortization of actuarial loss	<u>1,555,718</u>	<u>1,447,092</u>
Net periodic benefit cost	<u>5,739,051</u>	<u>411,131</u>
Other changes in plan assets and benefit obligations recognized in net assets without donor restrictions		
Net gain during the year	(6,822,563)	4,731,767
Settlement expense	(4,811,850)	-
Amortization during the year	<u>(1,555,718)</u>	<u>(1,447,092)</u>
Total recognized in net assets without donor restrictions	<u>(13,190,131)</u>	<u>3,284,675</u>
Total recognized in net period benefit cost and net assets without donor restrictions	<u>\$ (7,451,080)</u>	<u>\$ 3,695,806</u>

Plan Assets: The Pension Plan's weighted-average asset allocations at June 30, 2024 and 2023, by asset category are as follows:

	<u>Plan Assets</u>	
	<u>2024</u>	<u>2023</u>
Asset category		
Cash and cash equivalents	4%	6%
Public equity	44	34
Fixed income	30	28
Hedge funds	9	11
Private equity	13	11
Real assets	<u>0</u>	<u>10</u>
	<u>100%</u>	<u>100%</u>

The University finances the Plan's benefits through both periodic contributions and investment returns on assets held in the Plan. A sound investment infrastructure is essential for the University's ability to meet its pension obligation. A fully funded plan provides security for the participant's retirement benefits. As such, the investment program's primary mission is to achieve and maintain a fully funded status to protect and sustain currently promised benefits. With the freezing of Plan accruals, a secondary objective is to avoid substantial volatility in cash contributions and significant fluctuations in the Plan's funded status (defined as the ratio of the Plan asset values to the Plan's Projected Benefit Obligation) over time. The University seeks to reduce risk as the Plan's funded ratio improves by implementing a liability hedging component. The Liability-Hedging portfolio aligns the Plan's asset allocation with anticipated Plan liabilities to reduce the Plan's funded status volatility. The standards for prudent levels of risk and diversification fall under the guidelines set forth in ERISA.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - RETIREMENT BENEFITS (Continued)

The Return-Seeking portfolio is intended to provide long-term growth that exceeds the Plan's liability growth rate. The Liability-Hedging portfolio will consist of fixed income securities that align with anticipated plan liabilities to reduce the Plan's funded ratio volatility. The asset allocation will be managed pursuant to a Dynamic Asset Allocation Glidepath Schedule. Set forth below is information regarding the Pension Plan's asset allocation.

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 6,321,395	\$ 11,257,565
Public equity	74,844,253	63,025,319
Fixed income	50,000,000	51,899,291
Hedge funds	15,350,596	19,329,050
Private equity	21,613,913	20,759,587
Real assets	<u>221,267</u>	<u>19,279,460</u>
Total plan assets	<u>\$ 168,351,424</u>	<u>\$ 185,550,272</u>

Real asset investments offer the potential for capital appreciation and serve as a hedge against inflation. The Plan invests in assets that offer strong relative performance in rising inflation environments, such as energy and metals equities, commodities and REITs.

The University uses a June 30 measurement date for valuing assets and estimating the obligations of the Pension Plan. Consistent with prior years, the University has elected to use the market smoothing approach to amortize unrecognized gains or losses associated with the Pension Plan. The University uses the PRI-2012 Total Dataset Mortality Table with the 2023 (the most recent available as of the measurement date) Social Security Administration projection scale to estimate the mortality rates associated with the Pension Plan participants.

The fair value disclosures of the Pension Plan assets and related roll-forward of investments are included in Note 14 of these consolidated financial statements.

Weighted-average assumptions used to determine benefit obligations at June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	5.35%	4.99%
Rate of compensation increase	N/A	N/A

Weighted-average assumptions used to determine net periodic benefit cost for years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Discount rate	4.99/5.10%	4.94%
Expected long-term return on plan assets	7.45	7.45
Rate of compensation increase	N/A	N/A

The discount rate in 2024 reflects the blending of rates at settlement date and fiscal year ended June 30, 2023.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - RETIREMENT BENEFITS (Continued)

The expected long-term return on Pension Plan asset assumption at June 30, 2024 and 2023 was 7.2% and 7.45%, respectively. This assumption represents the average rate that the University expects to earn over the long-term on the assets of the Pension Plan, including those from dividends, interest income and capital appreciation. The expected return on Pension Plan assets is based on the market-related value of Pension Plan assets and takes into account contributions, benefit payments and investment manager fees. This assumption has been determined based on expectations regarding future rates of return for the Pension Plan's investment portfolio, with consideration given to the allocation of investments by asset class and historical rates of return for each individual asset class. In determining the appropriate discount rate, the University uses a spot rate yield curve of diversified high quality corporate bonds.

For the fiscal year ending June 30, 2025, the University expects to contribute approximately \$6,256,000 to the Pension Plan.

Future benefit payments from the Pension Plan are expected to be as follows for the fiscal years ending:

<u>Years Ending</u>	
2025	\$ 12,687,427
2026	13,088,738
2027	13,426,320
2028	13,717,145
2029	14,024,543
2030-2034	72,130,770

De-Risking Strategies

The Pension Plan was amended to temporarily increase the lump sum threshold from \$17,500 to \$200,000 for eligible vested, terminated members.

Plan fiduciaries selected OneAmerica to assume beneficiary payments for certain retirees/beneficiaries receiving a monthly payment of \$600 or less. Samford followed guidelines provided by the U.S. Department of Labor in searching for an annuity provider before selecting OneAmerica. OneAmerica was chosen since they could provide a "safest available annuity" based on the standards set forth in the Department of Labor (DOL) Interpretive Bulletin 95-1. When analyzing insurance carriers, the DOL Bulletin required additional factors for comparison to be considered besides the competing companies' ratings. Some of these factors included: the quality and diversification of the annuity provider's investment portfolio, the size of the insurer relative to the annuity liability, the level of the insurer's capital and surplus, the lines of business of the annuity provider and other indications of an insurer's exposure to liability, the structure of the annuity contract and guarantees supporting the annuities (overall financial stability of the carrier) and the availability of additional protection through state guaranty associations and the extent of their guarantees. Another key consideration was OneAmerica's service commitment to benefit recipients.

The amount paid out by the Pension Plan as part of the de-risking strategies listed above exceeded the sum of the service cost and interest cost for the fiscal year, resulting in the recognition of a settlement expense. Plans assets of \$18,792,120 were used to settle plan liabilities of an equal amount. As a result of the transactions, the University recognized a one-time expense of \$4,811,850. Approximately 480 participants were removed from the Plan as a result of the de-risking strategies.

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 9 - RETIREMENT BENEFITS (Continued)

Defined Contribution Plan

In addition to the Pension Plan, the University maintains the Samford University 403(b) Salary Deferred and Defined Contribution Plan (the "403(b) Plan"), a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974. Prior to 2013, the 403(b) Plan was only funded through employee contributions. With the soft freeze of the Pension Plan in 2012, new non student employees hired after December 31, 2012 were eligible to participate in an amended 403(b) Plan that provides contributions and matching funds by the University into individual annuities or accounts. After the Pension Plan was frozen in 2020, active employees who were eligible to accrue benefits under the Pension Plan were eligible to participate in the 403(b) Plan with matching funds by the University. Employees may make voluntary deferrals based on annual maximums established by the Internal Revenue Code for 403(b) plans. Employees can begin deferring immediately after employment. An eligible employee is eligible to begin receiving employer matching contributions as soon as administratively feasible following the eligible employee's employment commencement date, and all other employer contributions as of the first entry date after the employee completes a year of eligibility service, provided he/she is still employed on the entry date.

The contribution rate by the University is tied to years of service pursuant to the following schedule:

Years of Participation	Contribution Rate
1-3	2.00%
4-6	3.50
7+	5.00

Also, for participants with at least 1,000 hours worked per year, the University will make a \$1 for \$1 match of all employee deferrals up to 3% of eligible compensation. The University match and contribution are vested at the rate of 20% per year. The University incurred contribution expense of approximately \$6,098,765 and \$5,893,000 during fiscal years 2024 and 2023, respectively. The expense has been recognized as a benefit cost.

For five years (or earlier employment termination date) beginning with the calendar year commencing on January 1, 2021, Samford will make certain transition contributions to the 403(b) accounts of active employees who were eligible to accrue benefits under the Pension Plan as of December 31, 2020, who (i) works 1,000 hours for Samford during the calendar year and (ii) are employed by Samford on the last day of the calendar year. Such amounts will be determined based on the employee's age and Pension Plan Credited Service on December 31, 2020. Transition contributions range from 0% to 7% and will be made based upon the applicable percentage multiplied by the employee's annual compensation.

Beginning January 1, 2021, all eligible employees, including active employees who were eligible to accrue benefits under the Pension Plan as of December 31, 2020, are automatically enrolled with an election to contribute 3% of his or her Samford compensation, unless the employee instructs Human Resources to stop the automatic contributions or the employee selects a different contribution percentage.

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 10 - NET ASSETS

Net assets without donor restrictions and those with donor restrictions restricted by purpose, passage of time, or perpetuity at June 30, 2024 are available for the following purposes:

	Year ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Operating and other	\$ 28,914,756	\$ 22,392,049	\$ 51,306,805
Pledges receivable	-	23,237,233	23,237,233
Student loan funds	724,330	17,629,675	18,354,005
Unexpended endowment income	735,447	8,700,280	9,435,727
Endowment funds	114,612,554	355,385,889	469,998,443
Pension plan obligation	(36,484,599)	-	(36,484,599)
Annuity and life income funds	<u>(126,301)</u>	<u>12,110,533</u>	<u>11,984,232</u>
Total	<u>\$ 108,376,187</u>	<u>\$ 439,455,659</u>	<u>\$ 547,831,846</u>

Net assets without donor restrictions and those with donor restrictions restricted by purpose, passage of time, or perpetuity at June 30, 2023 are available for the following purposes:

	Year ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Operating and other	\$ 42,005,424	\$ 10,117,483	\$ 52,122,907
Pledges receivable	-	30,565,534	30,565,534
Student loan funds	724,330	16,732,562	17,456,892
Unexpended endowment income	378,640	9,155,729	9,534,369
Endowment funds	112,545,106	330,925,925	443,471,031
Pension plan obligation	(47,217,998)	-	(47,217,998)
Annuity and life income funds	<u>(107,976)</u>	<u>11,747,863</u>	<u>11,639,887</u>
Total	<u>\$ 108,327,526</u>	<u>\$ 409,245,096</u>	<u>\$ 517,572,622</u>

NOTE 11 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events as specified by the donors as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Operating and other	\$ 6,864,260	\$ 6,471,808
Expended endowment income	<u>12,624,086</u>	<u>9,740,834</u>
Total net assets with donor restrictions	<u>\$ 19,488,346</u>	<u>\$ 16,212,642</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 12 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 11,579,284	\$ 23,218,741
Accounts receivable	4,320,192	4,468,189
Pledges receivable	2,736,869	1,474,667
Operating investments (short-term investments)	6,737,455	6,413,277
Endowment spending rate distribution	<u>22,687,390</u>	<u>22,057,892</u>
	<u>\$ 48,061,190</u>	<u>\$ 57,632,766</u>

Our endowment funds consist of donor-restricted endowments and funds designed by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

Our board-designated endowment of \$114,613,000 and \$112,545,000 at June 30, 2024 and 2023, is subject to an annual spending rate as described in Note 15. Although we do not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditures as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The University's cash flows have seasonal variations during the year attributable to tuition billing and a concentration of contributions received at calendar and fiscal year-end.

As part of our liquidity management plan, we structure financial assets to be available as the general expenditures, liabilities and other obligations become due. In addition, we invest cash in excess of daily requirements in short-term investments, repurchase agreements, and money market funds.

To help manage unanticipated liquidity needs, the University maintains a committed operating line of credit of \$15,000,000 that can be drawn upon (see Note 2) and an additional \$30,000,000 on the capital line of credit available until November 30, 2024.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The University periodically enters into operating leases for office equipment. The minimum future rentals on these non-cancelable leases are as follows:

<u>Years Ending</u>	
2025	\$ 1,107,750
2026	716,604
2027	350,778
2028	143,400
2029	<u>71,460</u>
	2,389,992
Lease present value discount	<u>(200,679)</u>
Lease liability	<u>\$ 2,189,313</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

Weighted average for operating leases:

Discount rate	6.25%
Remaining lease term (years)	2.64

Lease expense for operating leases for the years ended June 30, 2024 and 2023 was approximately \$1,334,000 and \$1,255,000, respectively.

As discussed in Note 5, the University owns interests in nonregistered investment partnerships at June 30, 2024 and 2023. The University entered into separate subscription agreements with a capital commitment to each limited partnership that expire periodically in the future. The following information pertains to each limited partnership capital commitment at June 30, 2024:

	2024			
	Original Commitment	Capital Contributions	Unfunded Commitment	Commitment Expiration
Wellspring Capital Partners VI, LP	\$ 3,000,000	\$ 3,086,129	\$ -	05/01/2028
Riverside Capital Appreciation VII, LP	3,500,000	3,631,250	-	05/31/2031
Audax Private Equity Fund VI, LP	2,500,000	2,234,134	265,866	10/01/2031
Audax Private Equity Fund VII, LP	3,000,000	949,402	2,050,598	12/01/2035
Genstar Fund XI, LP	4,000,000	31,685	3,968,315	02/01/2035
The Resolute Fund VI, LP	4,000,000	533,147	3,466,853	05/01/2037
Davidson Kempner LT Distressed OPP Intl. V	3,500,000	3,228,505	271,495	05/01/2027
Davidson Kempner LT Distressed OPP Intl. VI	3,000,000	930,957	2,069,043	12/01/2029
OHA Strategic Credit Fund II (Offshore,) LP	3,500,000	2,275,000	1,225,000	07/01/2026
Farallon Special Situations Fund LP	3,000,000	3,425,488	-	09/28/2028
Silver Point Specialty Credit Fund II	2,000,000	1,882,219	117,781	05/01/2028
Apax Digital	2,300,000	607,459	1,692,541	03/01/2034
Landmark Equity Partners XV	4,000,000	3,211,828	788,172	12/31/2024
NB Secondary Opportunities Fund IV, LP	3,500,000	3,444,563	55,437	09/01/2025
Newbury Equity Partners IV, LP	3,000,000	2,520,000	480,000	09/30/2029
Stepstone Secondaries Fund IV, LP	2,660,300	2,607,094	53,206	01/01/2033
Newbury Equity Partners V, LP	2,500,000	1,900,046	599,954	06/01/2032
NB Secondary Opportunities Fund V, LP	2,000,000	839,004	1,160,996	05/01/2033
Stepstone Secondaries Fund V, LP	2,000,000	1,638,674	361,326	05/01/2034
Stepstone Opportunities V, LP	2,775,000	2,636,250	138,750	09/30/2027
Stepstone Opportunities VI, LP	3,500,000	3,323,723	176,277	01/01/2030
Natural Resources Partners VIII	8,000,000	7,922,180	77,820	08/19/2023
Harbert Real Estate Fund VII, LLC	2,500,000	2,565,070	-	04/01/2034
Harbert Real Estate Fund VIII, LLC	3,000,000	982,933	2,017,067	02/01/2035
Wheelock Real Estate Fund V, LP	3,500,000	3,447,574	52,426	10/01/2030
Wheelock Real Estate Fund VI, LP	3,500,000	2,703,699	796,301	03/01/2034
Wheelock Real Estate Fund VII, LP	3,500,000	1,163,675	2,336,325	12/01/2036
WHI Real Estate Partners IV, LP	3,000,000	2,519,732	480,268	11/30/2027
Energy Spectrum Partners VIII, LP	3,000,000	2,127,232	872,768	10/31/2031
	<u>\$ 93,235,300</u>	<u>\$ 68,368,652</u>	<u>\$ 25,574,585</u>	

The University is the subject of various legal actions in the ordinary course of business. Management does not believe the ultimate outcome of these actions will have a material adverse effect on the financial position of the University.

(Continued)

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

The University is primarily self-insured for health and dental insurance claims. Stop loss insurance agreements are utilized to limit the liability on both a specific and aggregate basis for the period of coverage. The liability for unpaid claims included in accrued liabilities in the consolidated statements of financial position includes an accrual for an estimate of claims incurred but not reported. At June 30, 2024 and 2023, the University has accrued approximately \$1,702,000 and \$1,636,000, respectively, related to these self-insurance plans.

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The University follows the authoritative guidance required for assets and liabilities held at fair value, which establishes a framework for measuring fair value under generally accepted accounting principles and enhanced disclosures about fair value measurements. The guidance states that fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available.

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The authoritative guidance describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following tables present the financial instruments carried at fair value as of June 30, 2024 and 2023, respectively, by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

	2024				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Investments					
Cash and cash equivalents	\$ 8,323,554	\$ -	\$ -	\$ 8,323,554	Market
Public equity securities	202,728,382	37,351,589	-	240,079,971	Market
Fixed income	-	60,391,154	-	60,391,154	Market
Beneficial interest in perpetual trusts	57,854	2,001,675	9,578,142	11,637,671	Market
Contributions receivable from trusts held by third parties	69,235	360,560	-	429,795	Market
Real estate held for investment	-	-	43,047,647	43,047,647	Income
Other investments	<u>70,585</u>	<u>36,282</u>	<u>-</u>	<u>106,867</u>	Income
Total marketable securities, split interest agreements and other investments	<u>\$ 211,249,610</u>	<u>\$ 100,141,260</u>	<u>\$ 52,625,789</u>	<u>\$ 364,016,659</u>	

Investments measured at net asset value using the practical expedient:

Hedge funds	\$ 43,770,199
Other investments, excluding real estate	<u>66,537,020</u>
Total investments measured at net asset value using the practical expedient	<u>\$ 110,307,219</u>
Total investments at fair value	<u>\$ 474,323,878</u>

	2023				Valuation Technique
	Level 1	Level 2	Level 3	Total	
Investments					
Cash and cash equivalents	\$ 13,227,975	\$ -	\$ -	\$ 13,227,975	Market
Public equity securities	155,235,681	35,409,902	-	190,645,583	Market
Fixed income	-	52,766,621	-	52,766,621	Market
Real assets	-	17,960,926	-	17,960,926	Market
Beneficial interest in perpetual trusts	51,268	1,928,646	9,445,111	11,425,025	Market
Contributions receivable from trusts held by third parties	20,753	393,167	-	413,920	Market
Real estate held for investment	-	-	40,187,580	40,187,580	Income
Other investments	<u>70,585</u>	<u>36,282</u>	<u>-</u>	<u>106,867</u>	Income
Total marketable securities, split interest agreements and other investments	<u>\$ 168,606,262</u>	<u>\$ 108,495,544</u>	<u>\$ 49,632,691</u>	<u>\$ 326,734,497</u>	

Investments measured at net asset value using the practical expedient:

Hedge funds	\$ 41,758,313
Other investments, excluding real estate	<u>68,664,131</u>
Total investments measured at net asset value using the practical expedient	<u>\$ 110,422,444</u>
Total investments at fair value	<u>\$ 437,156,941</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Following is a description of the University's valuation methodologies for assets and liabilities measured at fair value.

Fair value for Level 1 securities is based upon quoted prices in active markets which the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 securities is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 securities is based on valuation techniques that use significant inputs that are unobservable as these securities trade infrequently or not at all.

Investments included in Level 3 consists of the University's investments in real estate. The values are determined through periodic appraisals using the income approach and are currently held at fair value based on appraised value adjusted for changes in assets and liabilities of the entities.

The University performs additional procedures including due diligence reviews on its investments in real estate and other procedures with respect to the capital account or NAV provided to ensure conformity with GAAP. The University has assessed factors including, but not limited to, managers' compliance with Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the consolidated financial statements to understand the nature and risk of the University's investments. Furthermore, investments which can be redeemed by the University on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

The following table is a roll-forward of the consolidated statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2024 and 2023:

	<u>Level 3</u>
Fair value at June 30, 2022	\$ 46,788,632
Realized/unrealized gains	2,844,059
Purchases	-
Sales/returns of capital	-
Fair value at June 30, 2023	49,632,691
Realized/unrealized gains	2,993,098
Purchases	-
Sales/returns of capital	-
Fair value at June 30, 2024	<u>\$ 52,625,789</u>

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 14 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

All net realized and unrealized gains in the table above are reflected in the accompanying consolidated statement of activities and changes in net assets. Net unrealized gains relate to those financial instruments held by the University at June 30, 2024 and 2023.

Pension Plan Fair Value: The following tables represent the plan assets as of June 30, 2024 and 2023 categorized by the levels described above.

	2024			Valuation Technique
	Level 1	Level 2	Level 3	
Investments				
Cash and cash equivalents	\$ 6,321,395	\$ -	\$ -	\$ 6,321,395 Market
Public equity	74,831,375	12,878	-	74,844,253 Market
Fixed income	-	50,000,000	-	50,000,000 Market
Total cash and marketable securities	<u>\$ 81,152,770</u>	<u>\$ 50,012,878</u>	<u>\$ -</u>	<u>\$ 131,165,648</u>

Investments measured at net asset value using the practical expedient:

Hedge funds	\$ 15,350,596
Private equity	21,613,913
Real assets	<u>221,267</u>
Total investments measured at net asset value using the practical expedient	<u>\$ 37,185,776</u>
Total investments at fair value	<u>\$ 168,351,424</u>

	2023			Valuation Technique
	Level 1	Level 2	Level 3	
Investments				
Cash and cash equivalents	\$ 11,257,565	\$ -	\$ -	\$ 11,257,565 Market
Public equity	36,709,000	26,316,319	-	63,025,319 Market
Fixed income	-	51,899,291	-	51,899,291 Market
Total cash and marketable securities	<u>\$ 47,966,565</u>	<u>\$ 78,215,610</u>	<u>\$ -</u>	<u>\$ 126,182,175</u>

Investments measured at net asset value using the practical expedient:

Hedge funds	\$ 19,329,050
Private equity	20,759,587
Real assets	<u>19,279,460</u>
Total investments measured at net asset value using the practical expedient	<u>\$ 59,368,097</u>
Total investments at fair value	<u>\$ 185,550,272</u>

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 15 - ENDOWMENTS

The University has interpreted Alabama's adoption of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") to allow the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the University continues to classify as net assets with donor restrictions held 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.

This is consistent with historic dollar value preservation prior to UPMIFA guidelines. The remaining portion of donor-restricted endowment that is not classified in net assets with donor restrictions held in perpetuity, is classified as net assets with donor restrictions restricted by purpose or passage of time or net assets without donor restrictions based on donor restriction and Board appropriation. Appropriations for spending on donor-restricted endowment funds are also classified as net assets with donor restrictions within the operating segment of accounts and are reported as funds released from restriction in the period expended for the purpose specified. The Board maintains a standing authorization for expenditure of the accumulation on funds that are unrestricted or Board-designated quasi-endowment and views these balances as having been appropriated. The original source of these funds is gifts or operating surplus without donor restrictions. Consequently, these amounts, which total approximately \$114,613,000 and \$112,545,000 for 2024 and 2023, respectively, in the aggregate, are classified within net assets without donor restrictions. Board designated funds are primarily used for scholarships, building maintenance and general operations.

The University considers the following factors in determining appropriation for expenditure:

- (1) The duration and preservation of the fund
- (2) The purposes of the University and the function of the endowment fund
- (3) General economic conditions
- (4) The effect of possible inflation or deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the University
- (7) Investment policies as set by the Board

The University had the following endowment activities during the years ended June 30, 2024 and 2023, delineated by net asset class and donor-restricted versus Board-designated funds:

Endowment Net Asset Composition by Type of Fund: Samford's composition of endowment assets for the years ended June 30 is as follows:

	Year ended June 30, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Donor-restricted	\$ -	\$ 355,385,889	\$ 355,385,889
Board-designated	114,612,554	-	114,612,554
	<u>\$ 114,612,554</u>	<u>\$ 355,385,889</u>	<u>\$ 469,998,443</u>

(Continued)

SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 15 – ENDOWMENTS (Continued)

	Year ended June 30, 2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Donor-restricted	\$ -	\$ 330,925,925	\$ 330,925,925
Board-designated	<u>112,545,106</u>	<u>-</u>	<u>112,545,106</u>
	<u>\$ 112,545,106</u>	<u>\$ 330,925,925</u>	<u>\$ 443,471,031</u>

Change in Endowment Net Assets: The University's change in endowment net assets, by net asset composition, for the years ended June 30, 2024 and 2023 is as follows:

	Year ended June 30, 2024		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Beginning balance	\$ 112,545,106	\$ 330,925,925	\$ 443,471,031
Investment return, net	10,925,470	29,711,895	40,637,365
Contributions	79,539	7,483,264	7,562,803
Draws from endowment for operations	(9,373,185)	(12,701,171)	(22,074,356)
Transfers between endowment and other funds	<u>435,624</u>	<u>(34,024)</u>	<u>401,600</u>
Ending balance	<u>\$ 114,612,554</u>	<u>\$ 355,385,889</u>	<u>\$ 469,998,443</u>

	Year ended June 30, 2023		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Net Assets</u>
Beginning balance	\$ 113,634,565	\$ 312,711,124	\$ 426,345,689
Investment return, net	8,720,097	20,402,447	29,122,544
Contributions	92,509	8,443,645	8,536,154
Draws from endowment for operations	(10,079,624)	(11,434,771)	(21,514,395)
Transfers between endowment and other funds	<u>177,559</u>	<u>803,480</u>	<u>981,039</u>
Ending balance	<u>\$ 112,545,106</u>	<u>\$ 330,925,925</u>	<u>\$ 443,471,031</u>

Funds With Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or UPMIFA, as interpreted, specifies must be retained as a fund of perpetual duration. These negative balances are identified and are commonly referred to as "underwater" funds grouped within endowment net assets with donor restrictions. Deficiencies of this nature exist in 3 donor-restricted endowment funds, which together have an original gift value of \$276,000, a current fair value of \$258,000 and a deficiency of \$18,000 as of June 30, 2024. Deficiencies of \$92,000 existed at June 30, 2023.

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 15 – ENDOWMENTS (Continued)

The University has a policy that all spending shall be suspended for funds that are reduced to 85% or less of the historic dollar value. This is applied on a fund-by-fund basis.

Return Objectives and Risk Parameters: The Endowment's principal objective is to provide a dependable source of support to University programs. Consistent with this goal the primary investment objective is to achieve a target total return, net of fees and expenses, equal to the University's spending policy plus the rate of inflation. It is the University's intention that all total return (interest income, dividends, realized gains, and unrealized gains), above and beyond the amount approved for expenditure or distribution, will be reinvested in the Endowment. The Endowment will be managed on a total return basis, consistent with the applicable standard of conduct set forth in the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

The Endowment Fund return objective is to attain a 5% real (above inflation) average annual total return over the long-term. The 5% return target is based on the primary objective of maintaining purchasing power after spending.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs supported by its endowment while seeking to maintain the purchasing power of endowment assets

Investment performance is compared with recognized measures of performance for similar instruments. The target is to meet or exceed a blended index and benchmark based on the endowment target allocation.

Strategies Employed for Achieving Objectives: 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.

Spending Policy and Relationship to Investment Objectives: The University has a policy of appropriating for operations each year an amount equal to 75% of the prior year's approved allocation plus, at present, 5% on the endowment balance of the most recently completed year times 25%. This practice has resulted in a steady, predictable amount of distribution from endowment regardless of market volatility. In establishing this policy, the University considered the long-term expected return on its endowment. This policy is consistent with the University's objective to maintain the purchasing power of the endowment assets as well as provide additional growth through new contributions. The Board of Trustees is not precluded from changing the spending rate, applying a different donor prescribed rate or calculation methodology to all or any portion of the endowment market value, or approving any other special expenditure, as deemed appropriate by the Board of Trustees.

For the years ending June 30, 2024 and 2023, the University used Board approved additional spending of \$3,400,000 and \$4,200,000 per year, respectively to meet the additional funding required for retirement plan payments and to supplement scholarship funding.

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 16 - EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are presented below by functional classification in accordance with the overall service mission of the University. Each functional classification displays all expenses related to the underlying operations by natural classification. Certain categories of expenses are attributable to one or more functions of the University. These expenses include depreciation, interest, and facilities maintenance and utilities. Depreciation expense is allocated based on square footage occupancy. Interest expense is allocated to the functional categories that have benefited from the proceeds of the related debt. Facilities maintenance and utilities represents space related costs which are allocated to the functional categories directly and/or based on the square footage occupancy.

Expenses categorized by their functional classification for the years ended June 30 are as follows:

	2024				
	Program Activities	Supporting Activities			Total Expense
	Academic and Student Services	Administrative Support	Fundraising	Facilities Operation and Maintenance	
Salary and wages	\$ 72,995,340	\$ 8,131,665	\$ 2,706,543	\$ 2,741,245	\$ 86,574,793
Benefits	20,567,000	2,291,159	762,589	772,367	24,393,115
Facilities, utilities, and maintenance	1,267,130	1,140,427	-	12,346,093	14,753,650
Interest	7,353,667	546,241	1,286	402,500	8,303,694
Auxiliary expenses	10,199,974	1,781	-	-	10,201,755
Depreciation	15,445,003	984,626	29,178	225,132	16,683,939
Lease expense	221,577	1,092,791	18,368	1,556	1,334,292
Supplies and other operating expenses	24,675,931	8,649,184	909,130	862,887	35,097,132
	152,725,622	22,837,874	4,427,094	17,351,780	197,342,370
Facilities operation and maintenance	14,723,333	2,201,658	426,789	(17,351,780)	-
Total operating expenses	\$ 167,448,955	\$ 25,039,532	\$ 4,853,883	\$ -	\$ 197,342,370
Changes in plant funds	-	-	-	8,164,760	8,164,760
Total expenses	\$ 167,448,955	\$ 25,039,532	\$ 4,853,883	\$ 8,164,760	\$ 205,507,130

	2023				
	Program Activities	Supporting Activities			Total Expense
	Academic and Student Services	Administrative Support	Fundraising	Facilities Operation and Maintenance	
Salary and wages	\$ 69,536,509	\$ 8,590,150	\$ 2,307,172	\$ 2,331,992	\$ 82,765,823
Benefits	21,140,461	2,611,574	701,425	708,971	25,162,431
Facilities, utilities, and maintenance	521,739	1,046,104	-	11,504,942	13,072,785
Interest	7,265,886	570,715	1,344	420,534	8,258,479
Auxiliary expenses	8,995,762	-	-	-	8,995,762
Depreciation	15,296,705	975,172	28,898	222,970	16,523,745
Lease expense	83,530	1,149,018	18,103	4,477	1,255,128
Supplies and other operating expenses	23,369,364	7,488,168	804,290	751,496	32,413,318
	146,209,956	22,430,901	3,861,232	15,945,382	188,447,471
Facilities operation and maintenance	13,515,045	2,073,420	356,917	(15,945,382)	-
Total operating expenses	\$ 159,725,001	\$ 24,504,321	\$ 4,218,149	\$ -	\$ 188,447,471

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SAMFORD UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024 and 2023

NOTE 17 - RELATED PARTY TRANSACTIONS

On an annual basis, the University distributes a questionnaire to trustees, officers and key employees for the purpose of determining if there are any possible conflicts of interest. In the ordinary course of business, the University has business relationships with certain vendors, such as utility companies, health providers and financial institutions at which trustees may be employed or Samford personnel may have involvement. Related party transactions are monitored by the Board of Trustees pursuant to the University's conflict of interest policy. Included in pledges receivable (Note 3) are pledges from trustees and officers totaling \$1,257,776 and \$954,074 at June 30, 2024 and 2023, respectively.

One of the University's board members is a managing director of a firm that served as one of the underwriters for the 2024 bonds. This firm will also be providing investment services related to the 2024 bond funds.