

Consolidated Financial Statements and
Reports of Independent Certified Public
Accountants on Federal Awards in
Accordance with the Uniform Guidance

Southern Methodist University

May 31, 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Southern Methodist University

Report on the audit of the financial statements**Opinion**

We have audited the consolidated financial statements of Southern Methodist University (a nonprofit organization) and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of May 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

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

Other matter

The consolidated financial statements of the University as of and for the year ended May 31, 2024 were audited by other auditors who expressed an unmodified opinion on those financial statements in their report dated September 6, 2024, except as to notes 17 and 20 and their report on the Supplementary Schedule, which were as of February 24, 2025.

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 after the date the financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Supplementary Schedule of Financial Responsibility Data in accordance with the U.S. Department of Education ("ED") Final Rule: Student Assistance General Provisions,

Federal Family Education Loan Program, and William D. Ford Federal Direct Loan Programs, for the year ended May 31, 2025 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2025 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Grant Thornton LLP

Dallas, Texas
September 5, 2025

Southern Methodist University
Consolidated Statements of Financial Position
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

	May 31, 2025	May 31, 2024
ASSETS:		
Cash and cash equivalents	\$ 209,087	\$ 225,668
Accounts receivable, net	59,536	46,929
Donor contributions receivable, net	252,537	324,970
Investments	2,489,930	2,338,120
Land, buildings, and equipment, net	1,591,686	1,523,341
Other assets	27,277	34,052
TOTAL ASSETS	\$ 4,630,053	\$ 4,493,080
LIABILITIES:		
Accounts payable and accrued expenses	\$ 194,686	\$ 207,786
Deposits and deferred revenue	52,388	47,486
Long-term debt, net	597,985	628,267
Other liabilities	794	2,996
Total Liabilities	845,853	886,535
NET ASSETS:		
Net assets without donor restrictions	\$ 1,043,464	\$ 903,169
Net assets with donor restrictions	2,740,736	2,703,376
Total Net Assets	3,784,200	3,606,545
TOTAL LIABILITIES AND NET ASSETS	\$ 4,630,053	\$ 4,493,080

Southern Methodist University
Consolidated Statements of Activities
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER						
SUPPORT:						
Net tuition and fees	\$ 422,698	\$ -	\$ 422,698	\$ 394,949	\$ -	\$ 394,949
Donor contributions	10,131	113,449	123,580	6,787	233,517	240,304
Endowment income, net	37,478	26,110	63,588	3,052	4,795	7,847
Net gains on investments	20,356	194,173	214,529	22,026	163,153	185,179
Grants and contracts	36,316	-	36,316	33,485	-	33,485
Organized activities	10,927	-	10,927	11,118	-	11,118
Other sources	101,307	-	101,307	86,918	-	86,918
Auxiliary activities, net	46,625	-	46,625	42,163	-	42,163
TOTAL REVENUES, GAINS AND OTHER	\$ 685,838	\$ 333,732	\$ 1,019,570	\$ 600,498	\$ 401,465	\$ 1,001,963
SUPPORT						
Net assets released from restrictions	296,372	(296,372)	-	173,520	(173,520)	-
TOTAL ADJUSTED REVENUES, GAINS	\$ 982,210	\$ 37,360	\$ 1,019,570	\$ 774,018	\$ 227,945	\$ 1,001,963
AND OTHER SUPPORT						
EXPENSES:						
PROGRAM EXPENSES:						
Instruction	\$ 227,422	\$ -	\$ 227,422	\$ 207,878	\$ -	\$ 207,878
Academic support	119,519	-	119,519	109,958	-	109,958
Research	57,175	-	57,175	50,763	-	50,763
Organized activities	16,930	-	16,930	14,531	-	14,531
Student services	239,456	-	239,456	176,224	-	176,224
Auxiliary activities	37,610	-	37,610	32,863	-	32,863
TOTAL PROGRAM EXPENSES	698,112	-	698,112	592,217	-	592,217
Institutional support	142,393	-	142,393	120,812	-	120,812
TOTAL EXPENSES	\$ 840,505	\$ -	\$ 840,505	\$ 713,029	\$ -	\$ 713,029
Other postretirement plan changes	1,410	-	1,410	4,621	-	4,621
TOTAL EXPENSES AND ADJUSTMENTS	\$ 841,915	\$ -	\$ 841,915	\$ 717,650	\$ -	\$ 717,650
CHANGE IN NET ASSETS	\$ 140,295	\$ 37,360	\$ 177,655	\$ 56,368	\$ 227,945	\$ 284,313
BEGINNING NET ASSETS	903,169	2,703,376	3,606,545	846,801	2,475,431	3,322,232
ENDING NET ASSETS	\$ 1,043,464	\$ 2,740,736	\$ 3,784,200	\$ 903,169	\$ 2,703,376	\$ 3,606,545

Southern Methodist University
Consolidated Statements of Cash Flows
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

	2025	2024
Cash flows from operating activities:		
Changes in net assets	\$ 177,655	\$ 284,313
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i>		
Depreciation and accretion	68,964	60,994
Long-term debt-related amortization	(2,426)	(7,315)
Loss on disposal of land, buildings, and equipment	36	1,443
Donor contributions restricted for long-term investment	(46,840)	(96,809)
Noncash donor contributions	(43,690)	(38,127)
Net realized and unrealized gain on investments	(214,529)	(185,179)
Decrease (increase) in accounts and donor contributions receivable	59,826	(53,738)
Decrease (increase) in other assets	6,775	(3,554)
Increase in accounts payable and accrued expenses for operations	7,820	11,465
Increase in deposits and deferred revenue	4,902	2,897
Decrease in other liabilities for operations	(2,202)	(343)
Net cash provided by (used for) operating activities	\$ 16,291	\$ (23,953)
Cash flows from investing activities:		
Purchase of land, buildings, and equipment	\$ (157,289)	(205,193)
Acquisition of investments	(570,941)	(322,463)
Disposition of investments	676,374	398,704
Net cash used for investing activities	\$ (51,856)	\$ (128,952)
Cash flows from financing activities:		
Donor contributions restricted for long-term investment	\$ 46,840	\$ 96,809
Net proceeds from debt issuance	-	59,554
Long-term debt payments	(27,856)	(83,900)
Net cash provided by financing activities	\$ 18,984	\$ 72,463
Net decrease in cash and cash equivalents	\$ (16,581)	\$ (80,442)
Cash and cash equivalents at beginning of period	225,668	306,110
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 209,087	\$ 225,668
Supplemental data:		
Donor contributions of investments, real estate and other	\$ 42,714	\$ 37,518
Donor contributions of land, buildings, and equipment	976	609
Cash paid for interest	24,886	25,764
Land, buildings and equipment, net included in accounts payable	(22,306)	(634)

1. Nature of Operations

Southern Methodist University (the University) is a private higher education institution that offers undergraduate, graduate, and professional programs. In addition to revenue generated by tuition and fees, the University receives revenue from donations, investment income, federal grants, sponsored research, athletic events, auxiliary activities, and other sources.

During the reporting periods, the University had seven entities under its control that are included in the *Consolidated Financial Statements*. These entities support University activities, including research initiatives, intercollegiate athletics, and the acquisition and management of real assets ancillary to the University's mission. Inter-organization balances and transactions have been eliminated in consolidation.

2. Summary of Significant Accounting Policies

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

(a) Net assets

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

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

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

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

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

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

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

(b) Cash and cash equivalents

Cash equivalents include operating cash investments, which include U.S. Treasury bills and short-term paper, with maturities of three months or less from the date of purchase. The University believes it is not exposed to any significant credit risk on cash and cash equivalents as of May 31, 2025.

(c) Accounts receivable, net

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

Student accounts receivables are stated net of allowance for credit losses of \$9,929 and \$9,348 as of May 31, 2025 and 2024, respectively. The University considered the allowances recorded at May 31, 2025 and 2024, to be reasonable and adequate to absorb potential credit losses inherent in the student accounts receivable balances.

(d) Donor contributions receivable, net

Unconditional promises to give from University donors are included in the *Consolidated Financial Statements* as donor contributions receivable until they are collected. These amounts have been discounted to their present value using rates that the University feels appropriately reflect the risks associated with these cash flows. Amortization of discounts is recorded as additional contribution revenue. The University writes off contribution installment payments that are a year past due to zero. The remaining contributions are considered to be fully collectible due to the giving history of the majority of the donors, and as such the University has not recorded an allowance for credit losses related to donor contributions receivable.

(e) Investments

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

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

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

(f) Hedging instrument

The University accounts for its hedge instrument at fair value at each fiscal year end (using Level 2 techniques). The hedge is recorded on the *Consolidated Statements of Financial Position* and included as either other assets or other liabilities. Changes in fair value of the hedge is recognized in the *Consolidated Statements of Activities* and allocated between the expense categories.

(g) Land, buildings, and equipment, net

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

(h) Net tuition and fees

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

(i) Donor contributions

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

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

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

The University occasionally receives contributed nonfinancial assets from its donors. Such assets are recorded at fair value based on independent appraisals and current values for similar products. Contributions of nonfinancial assets are not material to the *Consolidated Financial Statements* of the University for the years ended May 31, 2025 and 2024.

(j) Grants and contracts revenue and indirect cost recoveries

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

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

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

(k) Auxiliary activities

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

(l) Income taxes

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

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

(m) Use of estimates

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

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

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

(n) Reclassifications

Certain footnote information from the prior year *Consolidated Financial Statements* has been reclassified to conform with the current year presentation. This reclassification is reflected in Note 6. There is no impact on total investments.

3. Liquidity and Resource Availability

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

	2025	2024
FINANCIAL ASSETS:		
Cash and cash equivalents	\$ 209,087	\$ 225,668
Accounts receivable, net	59,536	46,929
Donor contributions receivable, net	252,537	324,970
Investments	2,489,930	2,338,120
<i>Total financial assets</i>	<i>3,011,090</i>	<i>2,935,687</i>
Less amounts not available to be used within one year:		
Cash and cash equivalents restricted for capital projects	(32,917)	(29,086)
Cash and cash equivalents restricted for loan programs	(15,238)	(14,408)
Donor contributions receivable, net due after one year	(171,234)	(230,991)
Donor contributions receivable, net due next year with restricted purposes	(80,094)	(92,764)
Accounts receivable, net restricted to the endowment	(4,058)	(1,101)
Investments restricted for defeased debt	(1,664)	(1,679)
Investments restricted to the endowment	(2,267,152)	(2,105,603)
Investments restricted to loan programs	(754)	(1,011)
Investments restricted to split-interest agreements	(22,675)	(24,622)
<i>Financial assets not available to be used within one year for general expenditures</i>	<i>(2,595,786)</i>	<i>(2,501,265)</i>
Available borrowings for general expenditures	100,000	100,000
Resources available within a year of general expenditures	\$ 515,304	\$ 534,422

4. Donor Contributions Receivable, net

Donor contributions receivable are recorded at their net realizable value, which is determined by computing the present value of future cash flows discounted at rates ranging from 2.5% to 7.0% as of May 31, 2025 and 2024. The present value and the associated incremental income are reflected as gift revenue in the period the agreement is made and in the period accreted, respectively.

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

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

	2025	2024
DONOR CONTRIBUTIONS RECEIVABLE, Net:		
In one year or less	\$ 81,303	\$ 93,979
Between one year and five years	193,129	259,740
More than five years	11,213	21,175
Less discount	(33,108)	(49,924)
Donor contributions receivable, net	\$ 252,537	\$ 324,970

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

	2025	2024
PURPOSE RESTRICTIONS:		
Endowment for departmental programs and activities	\$ 29,749	\$ 43,842
Endowment for scholarships	5,063	5,062
Capital improvements	111,413	148,367
Scholarships, departmental programs and activities	106,312	127,699
Donor contributions receivable, net	\$ 252,537	\$ 324,970

Conditional promises to give are not recorded in the *Consolidated Financial Statements* until they become unconditional. The University has received donor pledges contingent on certain conditions of \$1,050 and \$250 as of May 31, 2025 and 2024, respectively.

5. Investments

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

Mineral interests consist primarily of royalty interest in oil production with a small amount of gas production. The mineral interests are in 195 counties and parishes located in 13 states. The University's valuation process for determining the fair value of producing mineral interest is based on cash flows and are categorized as Level 3 in the fair value hierarchy. Under this method, the University uses a multiple of the average net cash flows from the past 6 months. For the period ended May 31, 2025, the University engaged an independent petroleum consultant to provide a fair value estimate for the University's four largest producing properties.

The University's split-interest agreements consist of perpetual trusts held and administered by others, gift annuities, unitrusts and annuity trusts and are categorized as Level 3 in the fair value hierarchy. Perpetual trusts held and administered by others are recorded at the current fair value of the University's interest in the trust assets. Under split-interest agreements, the University has the right to receive income distributions that are reported as revenue. The University makes periodic payments to named beneficiaries in return for assets received and recognizes a liability for the fair value of the anticipated future payments connected to these agreements based on the discount rates published by the Internal Revenue Service.

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

	2025	2024
SPLIT-INTEREST AGREEMENTS:		
Gains	\$ 706	\$ 438
Assets at fair value	34,715	36,227
Liabilities included in accounts payable and accrued expenses	6,777	10,945
Net assets with donor restrictions related to split-interest agreements	15,899	13,678
Discount rate	5.75%	5.42%

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

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

	2025	2024
INVESTMENT RETURN		
Income from endowment investments included in "Endowment income, net"	\$ 82,042	\$ 23,957
Income from operating investments included in "Other sources"	20,550	23,351
External and internal direct expenses included in "Endowment income, net"	(18,454)	(16,110)
Net realized and unrealized gains on investments	214,529	185,179
Investment return	\$ 298,667	\$ 216,377

6. Fair Value of Financial Instruments

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

- Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and
- Level 3 – unobservable inputs that are used when little or no market data is available.

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

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

2025					
	Fair Value Hierarchy			Net Asset Value	Total
	Level 1	Level 2	Level 3		
Short-term paper	\$ 17,618	\$ -	\$ -	\$ -	\$ 17,618
Stocks	144,678	-	-	-	144,678
Bonds	103,031	126,751	-	-	229,782
Funds held in trust by others	-	-	12,116	-	12,116
Notes receivable, net	-	748	-	-	748
Mineral rights	-	-	98,127	-	98,127
Private equity	-	19	13,771	750,497	764,287
Hedged strategies	-	-	-	444,030	444,030
Equity funds	-	-	-	717,082	717,082
Fixed income funds	-	-	-	61,462	61,462
Investments at fair value	265,327	127,518	124,014	1,973,071	2,489,930
Utility hedge	-	10,946	-	-	10,946
Total	\$ 265,327	\$ 138,464	\$ 124,014	\$ 1,973,071	\$ 2,500,876

2024					
	Fair Value Hierarchy			Net Asset Value	Total
	Level 1	Level 2	Level 3		
Short-term paper	\$ 29,148	\$ -	\$ -	\$ -	\$ 29,148
Stocks	131,143	-	-	-	131,143
Bonds	78,380	163,287	-	-	241,667
Funds held in trust by others	-	-	11,624	-	11,624
Notes receivable, net	-	1,001	-	-	1,001
Mineral rights	-	-	66,963	-	66,963
Private equity	-	19	13,624	674,181	687,824
Hedged strategies	-	-	-	452,741	452,741
Equity funds	-	-	-	656,791	656,791
Fixed income funds	-	-	-	59,218	59,218
Investments at fair value	238,671	164,307	92,211	1,842,931	2,338,120
Utility hedge	-	12,570	-	-	12,570
Total	\$ 238,671	\$ 176,877	\$ 92,211	\$ 1,842,931	\$ 2,350,690

Short-term paper, stocks and government bonds are priced using independent market prices in the primary trading market and are classified as Level 1.

Corporate bonds are valued using market prices, such as broker quotes, for the same or similar instruments. These types of securities trade in less active markets and are redeemable in the near term and classified as Level 2.

Private equity, hedged strategies, equity funds and fixed income funds are not traded publicly traded and the fair value is estimated using the NAV of the funds which are calculated by the investment manager. These funds are excluded from fund value leveling.

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

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	2025						
	Opening Balance	Transfers	Realized Gains	Unrealized Gains	Sales	Purchases	Ending Balance
Funds held in trust by others	\$ 11,624	\$ -	\$ -	\$ 260	\$ (59)	\$ 291	\$ 12,116
Mineral rights	66,963	-	-	31,164	-	-	98,127
Private equity	13,624	-	-	-	(1,029)	1,176	13,771
Level 3 investments	\$ 92,211	\$ -	\$ -	\$ 31,424	\$ (1,088)	\$ 1,467	\$ 124,014

	2024						
	Opening Balance	Transfers	Realized Gains	Unrealized Gains (Losses)	Sales	Purchases	Ending Balance
Funds held in trust by others	\$ 10,585	\$ -	\$ -	\$ 1,100	\$ (61)	\$ -	\$ 11,624
Mineral rights	81,677	-	-	(14,714)	-	-	66,963
Private equity	1,217	-	-	-	-	12,407	13,624
Level 3 investments	\$ 93,479	\$ -	\$ -	\$ (13,614)	\$ (61)	\$ 12,407	\$ 92,211

Total net gains (losses) in the above tables are included in net gains on the *Consolidated Statements of Activities* for the years ended May 31, 2025 and 2024, respectively.

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

	2025				
	Within 30 Days ¹	Quarterly ²	Semi-Annual or Annual ³	Illiquid ⁴	Total
INVESTMENTS AT FAIR VALUE:					
Private equity	-	-	-	750,497	750,497
Hedged strategies	-	325,526	85,161	33,343	444,030
Equity funds	453,041	262,791	-	1,250	717,082
Fixed income funds	533	38,473	-	22,456	61,462
Total investments at fair value	\$ 453,574	\$ 626,790	\$ 85,161	\$ 807,546	\$ 1,973,071

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

	2024				
	Within 30 Days ¹	Quarterly ²	Semi-Annual or Annual ³	Illiquid ⁴	Total
INVESTMENTS AT FAIR VALUE:					
Private equity	-	-	-	674,181	674,181
Hedged strategies	-	330,775	90,708	31,258	452,741
Equity funds	438,909	216,882	-	1,000	656,791
Fixed income funds	506	35,082	-	23,630	59,218
Total investments at fair value	\$ 439,415	\$ 582,739	\$ 90,708	\$ 730,069	\$ 1,842,931

1 With 3 business days to 30 days' notice

2 With 30 to 90 days' notice

3 With 45 to 90 days' notice

4 Includes funds under lock up

The University has unfunded investment commitments related to the investments reported at fair value as of May 31, 2025 of \$309,068 of which \$295,572 relates to private equity, \$988 relates to hedged securities, and \$12,508 relates to fixed income funds.

Private equity funds investments primarily include long-term lock-up funds where distributions from these funds are received through the liquidation of underlying assets. Timing of liquidation is unknown.

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7. Land, Buildings, and Equipment, net

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

	2025	2024
LAND, BUILDINGS, AND EQUIPMENT:		
Land	\$ 189,334	\$ 175,398
Land improvements	141,701	135,526
Buildings	1,793,816	1,486,904
Equipment	172,943	144,052
Other Assets	90,114	88,425
Construction in progress	46,894	269,494
<i>Total land, buildings, and equipment, at cost</i>	<i>2,434,802</i>	<i>2,299,799</i>
Less accumulated depreciation*	(843,116)	(776,458)
Land, buildings, and equipment, net	\$ 1,591,686	\$ 1,523,341

*Includes depreciation expense of \$67,578 and \$59,701 for fiscal year 2025 and 2024, respectively.

8. Accounts Payable and Accrued Expenses

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

	2025	2024
ACCOUNTS PAYABLE AND ACCRUED EXPENSES:		
General accounts payable and accrued expenses	\$ 89,322	\$ 100,042
Asset retirement obligations	26,410	25,045
Postretirement healthcare benefit obligation	27,650	27,212
Ground lease contribution	44,527	44,542
Split-interest obligations	6,777	10,945
Accounts Payable and accrued expenses	\$ 194,686	\$ 207,786

(a) Asset retirement obligations

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

The following table summarizes the change in the asset retirement obligation for fiscal years ended May 31, 2025 and 2024:

	2025	2024
Asset retirement obligations, beginning balance	\$ 25,045	\$ 23,751
Decrease in land, buildings, and equipment, net of accumulated depreciation	(88)	-
Accretion and depreciation expense	1,453	1,294
Asset retirement obligations, ending balance	\$ 26,410	\$ 25,045

(b) Postretirement healthcare benefits

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

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

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The following tables set forth the required disclosures for postretirement benefits, as well as components of net periodic benefits costs and weighted-average assumptions as of the measurement date, May 31, 2025 and 2024:

	2025	2024
Measurement date	5/31/2025	5/31/2024
Benefit obligations, beginning balance	\$ 27,212	\$ 26,732
Service cost	54	69
Interest cost	1,374	1,229
Plan participants' contributions	1,731	1,665
Benefit payments	(4,131)	(6,533)
Actuarial loss	1,410	4,050
Benefit obligations, ending balance	\$ 27,650	\$ 27,212

The accumulated postretirement benefit includes a current liability of \$2,377 included within "Accounts payable and accrued expenses" on the *Consolidated Statements of Financial Positions* for the claims and expenses that are expected to be paid out in the coming year and \$25,273 of noncurrent postretirement benefit liabilities included within "Accounts payable and accrued expenses" on the *Consolidated Statements of Financial Positions*.

Change in plan assets	2025	2024
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	2,400	4,868
Plan participants' contributions	1,731	1,665
Benefit payments	(4,131)	(6,533)
Fair value of plan asset at end of year	\$ -	\$ -
Unfunded status of plan	\$ (27,650)	\$ (27,212)

	2025	2024
PLAN COSTS AND OTHER CHANGES:		
Net periodic benefit cost recognized	\$ 1,428	\$ 727
Other changes in plan obligations		
Net actuarial loss	1,410	4,621
<i>Other postretirement plan changes</i>	1,410	4,621
Decrease in net assets without donor restrictions	\$ 2,838	\$ 5,348

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Weighted-average assumptions at measurement date	2025	2024
Discount rate	5.42%	5.30%
Health care cost trend rate	8.95%	0.00%
Ultimate health care cost trend rate	3.94%	0.00%
Year ultimate trend rate reached	2077	2077

As of May 31, 2025, the University had expected benefit payments in the following fiscal years:

EXPECTED BENEFIT PAYMENTS:	
2026	\$ 2,377
2027	2,358
2028	2,313
2029	2,293
2030	2,297
2031-2035	10,859
Expected benefit payments	\$ 22,497

(c) Ground lease contribution

“Accounts payable and accrued expenses” include \$44,527 and \$44,542 as of May 31, 2025 and 2024, respectively, reflecting the fair value of a ground lease contribution to The George W. Bush Foundation for the location, construction and operation of the George W. Bush Presidential Library Center facilities at the University as of May 31, 2025. This balance is being accreted over the 249 years of the lease, including extensions.

9. Long-term Debt, net

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

	Average Coupon*	Final Maturity	2025	2024
TAX-EXEMPT FIXED-RATE REVENUE BONDS:				
2023 Series	5.00%	October 1, 2042	\$ 55,985	\$ 55,985
2017 Series	4.56	October 1, 2041	84,005	87,160
2016 Series A	4.57	October 1, 2045	79,000	87,900
2013 Series A	4.52	October 1, 2042	39,855	39,855
2007 Series	4.96	October 1, 2029	21,240	21,240
<i>Tax-exempt fixed-rate revenue bonds</i>			280,085	292,140
TAXABLE FIXED-RATE REVENUE BONDS:				
2016 Series B	3.76	October 1, 2045	23,735	24,500
2013 Series B	2.89	October 1, 2033	34,350	39,960
<i>Taxable fixed-rate revenue bonds</i>			58,085	64,460
PRIVATE PLACEMENT:				
2023 Series Taxable Notes	4.08	March 31, 2030	147,640	150,000
2017 Series Taxable Notes	3.55	October 1, 2047	85,160	87,515
2017 Promissory Note	Various	August 30, 2027	1,000	1,000
2015 Tax-Exempt Forward	2.53	October 1, 2032	13,020	17,730
<i>Private Placement</i>			246,820	256,245
Long-term debt payable prior to amortizations			584,990	612,845
Unamortized net premiums			14,942	17,615
Unamortized bond issuance costs			(1,947)	(2,193)
Long-term debt, net			\$ 597,985	\$ 628,267

*Average coupon at time of issuance

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	Escrowed Assets		Par Value	
	2025	2024	2025	2024
DEFEASED BONDS:				
2007 Series ¹	\$ 1,664	\$ 1,679	\$ 1,630	\$ 1,630
<i>Long-term debt payable from escrowed assets</i>			1,630	1,630
Long-term debt, net			597,985	628,267
Long-term debt, net payable from general resources			\$ 596,355	\$ 626,637

¹ Defeased with proceeds from a contribution

In addition to the above, the University has \$100,000 of borrowings available under an undrawn bank line of credit with a maturity date of March 27, 2026, which is available for general liquidity needs of the University.

No interest related to construction projects was capitalized during fiscal year 2025 and 2024, respectively. Interest expense on long-term debt was \$22,300 and \$17,890 for the fiscal years ended May 31, 2025 and 2024, respectively.

As of May 31, 2025, the University had scheduled principal maturities for the following fiscal years:

PRINCIPAL MATURITIES:	
2026	\$ 28,575
2027	30,085
2028	29,625
2029	29,930
2030	164,885
Thereafter	301,890
Principal outstanding	\$ 584,990

10. Net Tuition and Fees

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

	2025			2024		
	Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
REVENUES:						
Tuition at stated rates	\$ 444,320	\$ 146,579	\$ 590,899	\$ 415,702	\$ 137,484	\$ 553,186
Student fees at stated rates	52,935	21,656	74,591	49,361	19,127	68,488
Less: Scholarship allowances	(185,211)	(57,581)	(242,792)	(176,350)	(50,375)	(226,725)
Net tuition and fee revenue	\$ 312,044	\$ 110,654	\$ 422,698	\$ 288,713	\$ 106,236	\$ 394,949

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

	2025	2024
Receivables included in <i>Accounts receivable, net</i>	\$ 9,929	\$ 9,348
Contract liabilities included in <i>Deposits and deferred revenue</i>	27,385	26,851

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

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11. Auxiliary Activities, net

Auxiliary activities revenue consisted of the following for fiscal years 2025 and 2024:

	2025	2024
REVENUES:		
Housing and dining services	\$ 48,502	\$ 44,173
Less: Scholarship allowances	(3,310)	(3,250)
Other activities	1,433	1,240
Auxiliary activities, net	\$ 46,625	\$ 42,163

12. Natural Expenses

The tables below present expenses by both their nature and their function for fiscal years 2025 and 2024:

	2025							Total
	Instruction	Academic support	Research	Organized activities	Student services	Auxiliary activities	Institutional support	
EXPENSES:								
Compensation and benefits	\$ 182,398	\$ 71,732	\$ 35,797	\$ 5,578	\$ 97,632	\$ 5,921	\$ 59,117	\$ 458,175
Operations and maintenance	19,153	16,469	6,986	1,016	56,744	24,071	39,965	164,404
Professional fees and services	14,976	12,716	4,265	6,325	15,966	1,508	23,577	79,333
Travel, professional development	6,170	5,086	2,738	1,895	24,926	611	6,425	47,851
Interest	1,346	997	420	21	3,340	5,038	11,138	22,300
Supplies	1,519	10,594	2,082	429	3,656	402	1,958	20,640
Student support	1,688	1,195	1,337	57	9,074	27	4	13,382
Other	172	730	3,550	1,609	28,118	32	209	34,420
Expenses	\$ 227,422	\$ 119,519	\$ 57,175	\$ 16,930	\$ 239,456	\$ 37,610	\$ 142,393	\$ 840,505

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

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

Fundraising expenses of approximately \$31,618 and \$27,709 incurred by the University in fiscal years 2025 and 2024, respectively, are included primarily as "Institutional support expenses".

13. Defined Contribution Postemployment Plans

The University has a defined contribution retiree medical plan intended to replace the University's defined benefit retiree medical plan. Under this program, both the University and employees contribute monthly to the employees' retiree medical accounts. The University contributed \$2,079 and \$1,854 to this program in fiscal years 2025 and 2024, respectively. The current defined benefit retiree medical plan will be phased out concurrently with funding of this defined contribution plan.

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Full-time and part-time benefits-eligible employees are eligible for the 403(b) Retirement Plan at age 21. Full-time employees are required to enroll if age 36 or older. Retirement benefit expenses under this plan were \$24,657 and \$22,731 in fiscal years 2025 and 2024, respectively.

14. Net Assets Released from Donor Restrictions

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

	2025	2024
NET ASSETS RELEASED:		
Acquisition of buildings and equipment	\$ 137,896	\$ 20,816
Instruction, research, departmental support, scholarships and other	158,476	152,704
Net assets released from donor restrictions	\$ 296,372	\$ 173,520

15. Restrictions and Limitations on Net Assets with Donor Restrictions

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

	2025	2024
NET ASSETS WITH DONOR RESTRICTIONS		
Endowment corpus, restricted in perpetuity	\$ 1,129,264	\$ 1,077,591
Endowment donor contributions receivable, restricted in perpetuity	34,361	48,573
Endowment appreciation restricted until appropriated	993,497	896,300
Perpetual funds held in trust	12,116	11,624
Funds held in perpetuity for student loans	15,493	14,719
Split-interest agreements	15,899	13,678
Restricted for capital projects, including related donor contributions receivable	162,783	285,224
Restricted for scholarships and departmental purposes, including related donor contributions receivable	377,323	355,667
Net assets with donor restrictions	\$ 2,740,736	\$ 2,703,376

16. Endowment Net Assets

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

(a) Interpretation of relevant law

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

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The remaining portion of the donor-restricted endowment fund that is not held in perpetuity remains in the endowment until it is appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Board of Trustees considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

Endowment net assets consist of the following at May 31:

2025			
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 2,169,238	\$ 2,169,238
Board-designated endowment funds	147,112	-	147,112
Total endowment net assets	\$ 147,112	\$ 2,169,238	\$ 2,316,350

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

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets as of May 31, 2023	\$ 101,112	\$ 1,923,214	\$ 2,024,326
Donor contributions	-	52,910	52,910
Investment return:			
Investment income, net of distributions	71	1,528	1,599
Net realized and unrealized gains	11,932	161,038	172,970
Total investment return	12,003	162,566	174,569
Endowment gains transferred for spending	(5,252)	(82,972)	(88,224)
Funds functioning as endowment net transfers	339	-	339
Other revenues and transfers	21,630	(21,630)	
Endowment net assets as of May 31, 2024	\$ 129,832	\$ 2,034,088	\$ 2,163,920
Donor contributions	-	27,853	27,853
Investment return:			
Investment income, net of distributions	9,467	8,726	18,193
Net realized and unrealized gains	12,038	192,270	204,308
Total investment return	21,505	200,996	222,501
Endowment gains transferred for spending	(5,433)	(93,699)	(99,132)
Funds functioning as endowment net transfers	1,208	-	1,208
Endowment net assets as of May 31, 2025	\$ 147,112	\$ 2,169,238	\$ 2,316,350

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

(b) Funds with deficiencies

From time to time, the value of assets associated with individual donor-restricted endowment funds may fall below the level the donor or the Act requires the University to retain as a fund of perpetual duration. As of May 31, 2025, there were no such funds below the minimum distribution level. As of May 31, 2024, one such endowment fund with an aggregated value of \$390 with a total of \$11 was below the minimum distribution level.

(c) Return objectives and risk parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board of Trustees, the endowment assets are invested within risk tolerances of the University to provide an expected total return in excess of spending and inflation over the long term.

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

(d) Strategies employed for achieving objectives

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

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

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

University Administration is authorized to distribute for spending from all endowment funds invested in the Investment Pool that have sufficient realized and unrealized capital gains an amount equal to seventy percent (70%) of the spending calculated for the previous fiscal year increased by an inflation factor to be determined each fiscal year (3% for fiscal year 2025), and a percent determined for each fiscal year (4.5% for fiscal year 2025) of thirty percent (30%) of the four-quarter average of the Investment Pool per share market value for the preceding calendar year multiplied by the number of shares outstanding at the end of that calendar year. In establishing this policy, the University considers the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate at least equal to planned payouts and inflationary increases. Additional real growth will be provided through new gifts and excess investment returns.

Southern Methodist University
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17. Related Party Transactions

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

Pursuant to Title 34 CFR 668.23(d)(1), institutions must provide the U.S. Department of Education (ED) a detailed description of all related parties and transactions based on the definition of a related entity set forth in Financial Accounting Standards Board Accounting Standards Codification (ASC) 850. Consistent with ASC 850, compensation arrangements, expense allowances, and similar items in the ordinary course of business are not disclosed.

The detailed related party information presented below as of and for the year ended May 31, 2025 and 2024, respectively, is presented for purposes of additional analysis by ED and is not a required part of the University’s basic financial statements. Consistent with institutional and federal data security standards to protect personally identifiable information, titles and relationship descriptions have been provided in lieu of names of individuals and their immediate families.

2025					
Related Party	Location	Nature	Current Year Transaction	Current Year Payment (Expense)	Ending Asset (Liability) Balance
Trustee 1	Dallas, TX	Contribution Promise to Give	685	39 209	476
Trustee 1 - Immediate Family	Dallas, TX	Contribution		1	
Trustee 2	Dallas, TX	Contribution Promise to Give	25	13 4,023	12,500
Trustee 2 - Immediate Family	Dallas, TX	Promise to Give Contribution	318	2,100 73	6,268
Trustee 3	Dallas, TX	Contribution Promise to Give		22 40	
Trustee 4	Dallas, TX	Contribution Promise to Give		143 3,000	5,500
Trustee 5	Dallas, TX	Contribution Promise to Give		120 225	528
Trustee 5 - Immediate Family	Dallas, TX	Contribution Promise to Give		1 125	524
Trustee 5 - Immediate Family	Dallas, TX	Contribution		2	
Trustee 5 - Immediate Family	Dallas, TX	Contribution		1	
Trustee 6	Dallas, TX	Contribution Promise to Give		25 30	120
Trustee 7	Dallas, TX	Contribution Promise to Give	5	1 5	
Trustee 8 - Immediate Family	Dallas, TX	Contribution Support of SMU		1 (10)	
Trustee 9	Dallas, TX	Contribution		10	
Trustee 10	Dallas, TX	Contribution Promise to Give		2 100	1,425
Trustee 11	Dallas, TX	Contribution		133	

Southern Methodist University
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2025 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment (Expense)	Ending Asset (Liability) Balance	
Trustee 12	Dallas, TX	Contribution		47		
		Promise to Give	120	100		20
Trustee 12 - Immediate Family	Dallas, TX	Contribution		121		
		Promise to Give		200		400
Trustee 13	Dallas, TX	Contribution		87		
Trustee 14	Dallas, TX	Contribution		15		
		Promise to Give		700		4,100
Trustee 14 - Immediate Family	Dallas, TX	Contribution		14		
		Promise to Give	150	200		750
Trustee 15	Dallas, TX	Contribution		25		
		Promise to Give		2,000		7,004
Trustee 16	Dallas, TX	Contribution		2		
Trustee 17	Dallas, TX	Contribution		10		
Trustee 18	Dallas, TX	Contribution		6		
		Promise to Give	30	30		
Trustee 19	Dallas, TX	Contribution		3		
Trustee 20	Dallas, TX	Contribution		59		
		Promise to Give	25	155		20
Trustee 21	Dallas, TX	Contribution		73		
		Promise to Give	100	330		890
Trustee 21 - Immediate Family	Dallas, TX	Contribution		50		
Trustee 21 - Immediate Family	Dallas, TX	Support of SMU		(1)		
Trustee 22	Dallas, TX	Contribution		124		
		Promise to Give		2,000		8,000
Trustee 22 - Immediate Family	Dallas, TX	Promise to Give		75		75
Trustee 23	Dallas, TX	Contribution		24		
Trustee 23 - Immediate Family	Dallas, TX	Contribution		1		
Trustee 24	Dallas, TX	Contribution		21		
		Promise to Give		167		
Trustee 24 - Immediate Family	Dallas, TX	Contribution		9		
		Promise to Give		200		
Trustee 25	Dallas, TX	Contribution		292		
		Promise to Give	600	900		2,650
Trustee 26	Dallas, TX	Contribution		2		
		Support of SMU		(32)		
Trustee 27	Dallas, TX	Contribution		36		
		Promise to Give	100			125
Trustee 27 - Immediate Family	Dallas, TX	Contribution		2		
Trustee 28	Dallas, TX	Contribution		1,261		
		Promise to Give	450	12,717		12,855
Trustee 28 - Immediate Family	Dallas, TX	Contribution		1		
Trustee 29	Dallas, TX	Promise to Give		1,500		6,000
Trustee 30	Dallas, TX	Contribution		29		
		Promise to Give	100	55		265
Trustee 31	Dallas, TX	Promise to Give		33		68
Trustee 32	Dallas, TX	Promise to Give		380		300

Southern Methodist University
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For the Fiscal Years Ended May 31, 2025 and 2024
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2025 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment (Expense)	Ending Asset (Liability) Balance	
Trustee 32 - Immediate Family	Dallas, TX	Contribution		1		
Trustee 33	Dallas, TX	Promise to Give		1		
Trustee 34	Dallas, TX	Contribution		83		
		Promise to Give	250	91	290	
Trustee 35	Dallas, TX	Contribution		4		
Trustee 35 - Immediate Family	Dallas, TX	Contribution		4		
Trustee 36	Dallas, TX	Contribution		40		
		Promise to Give		1,200	5,100	
Trustee 36 - Immediate Family	Dallas, TX	Promise to Give			200	
Trustee 37	Dallas, TX	Contribution		1,258		
		Promise to Give			4,000	
Trustee 37 - Immediate Family	Dallas, TX	Contribution		5		
Trustee 38	Dallas, TX	Promise to Give		973	9,415	
Trustee 38 - Immediate Family	Dallas, TX	Promise to Give		25	50	
Trustee 39	Dallas, TX	Promise to Give		5,000	8,000	
Trustee 39 - Immediate Family	Dallas, TX	Promise to Give		2,000	6,000	
		Support of SMU		(52)		
Trustee 40	Dallas, TX	Contribution		10		
		Promise to Give	50	100	50	
		Support of SMU		(118)		
Trustee 41	Dallas, TX	Contribution		3		
		Promise to Give	760	765	20	
Trustee 42	Dallas, TX	Promise to Give		100	100	
Trustee 43	Dallas, TX	Contribution		103		
		Promise to Give		1,450	5,100	
Trustee 43 - Immediate Family	Dallas, TX	Contribution		23		
Trustee 44	Dallas, TX	Promise to Give	30		30	
Trustee 45	Dallas, TX	Contribution		10		
		Promise to Give	30	20	110	
Executive Officer 1	Dallas, TX	Contribution		3		
		Promise to Give		5	20	
		Support of SMU		(4)		
Executive Officer 1 - Immediate Family	Dallas, TX	Support of SMU		(3)		
Executive Officer 1 - Immediate Family	Dallas, TX	Support of SMU		(1)		
Executive Officer 2	Dallas, TX	Contribution		1		

Southern Methodist University
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2025 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment (Expense)	Ending Asset (Liability) Balance	
Executive Officer 3	Dallas, TX	Contribution		4		
		Promise to Give		5	15	
		Loan Receivable	250		1,875	
		Support of SMU		(12)		
Executive Officer 3 - Immediate Family	Dallas, TX	Support of SMU		(4)		
Executive Officer 3 - Immediate Family	Dallas, TX	Support of SMU		(1)		
Executive Officer 4	Dallas, TX	Contribution		2		
Executive Officer 5	Dallas, TX	Contribution		1		
		Support of SMU		(1)		
Executive Officer 6	Dallas, TX	Contribution		27		
		Promise to Give		24	62	
Executive Officer 6 - Immediate Family	Dallas, TX	Contribution		1		
Executive Officer 7	Dallas, TX	Contribution		6		
		Support of SMU		(6)		
Executive Officer 8	Dallas, TX	Contribution		1		
Executive Officer 9	Dallas, TX	Contribution		1		
		Support of SMU		(6)		
Trustee 20	Dallas, TX	Private Markets			39	
Trustee 45	Dallas, TX	Bonds		(884)	9,456	
George W. Bush Presidential Center	Dallas, TX	Support of SMU See Note 8(c) to the financial statements		(1,493)		
Defined contribution 403(b) plan	Dallas, TX	See Note 13 to the financial statements				
Emeriti retiree health plan	Dallas, TX	See Note 8(b) to the financial statements				

2024						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment	Ending Asset (Liability) Balance	
Trustee 1	Dallas, TX	Contribution		25		
Trustee 2	Dallas, TX	Promise to Give		3,595	16,498	
Trustee 2 - Immediate Family	Dallas, TX	Promise to Give	10,300	2,251	8,049	
		Contribution		13		
Trustee 3	Dallas, TX	Promise to Give		22	40	
		Contribution				
Trustee 4	Dallas, TX	Promise to Give	5,000	3,000	8,500	
		Contribution		39		
Trustee 5	Dallas, TX	Promise to Give	1,100	347	753	
		Contribution		4		

Southern Methodist University
Notes to the Consolidated Financial Statements
For the Fiscal Years Ended May 31, 2025 and 2024
(Dollars in Thousands)

2024 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment	Ending Asset (Liability) Balance	
Trustee 5 - Immediate Family	Dallas, TX	Promise to Give		259	649	
Trustee 6	Dallas, TX	Promise to Give	150	25	175	
Trustee 7	Dallas, TX	Contribution		635		
Trustee 8	Dallas, TX	Promise to Give	500	225	1,525	
Trustee 9	Dallas, TX	Contribution		254		
Trustee 9 - Immediate Family	Dallas, TX	Promise to Give		200	600	
Trustee 10	Dallas, TX	Contribution		5,049		
Trustee 11	Dallas, TX	Promise to Give	1,000	950	4,800	
		Contribution		72		
Trustee 11 - Immediate Family	Dallas, TX	Promise to Give	1,000	220	800	
		Contribution		5		
Trustee 12	Dallas, TX	Promise to Give	5,000	1,095	9,004	
Trustee 13	Dallas, TX	Promise to Give		7,500		
		Contribution		1		
Trustee 14	Dallas, TX	Contribution		23		
Trustee 15	Dallas, TX	Promise to Give		105	150	
		Contribution		11		
Trustee 16	Dallas, TX	Promise to Give	6,000	120	6,120	
		Contribution		185		
Trustee 17	Dallas, TX	Promise to Give	5,000		5,000	
		Contribution		44		
Trustee 17 - Immediate Family	Dallas, TX	Promise to Give	225	75	150	
Trustee 18	Dallas, TX	Promise to Give	100	100		
		Contribution		1,000		
Trustee 18 - Immediate Family	Dallas, TX	Contribution		5		
Trustee 19	Dallas, TX	Promise to Give		167	167	
		Contribution		25		
Trustee 19 - Immediate Family	Dallas, TX	Promise to Give		200	200	
Trustee 20	Dallas, TX	Promise to Give	1,000	250	2,950	
		Contribution		40		
Trustee 21	Dallas, TX	Promise to Give		49	25	
		Contribution		24		
Trustee 21 - Immediate Family	Dallas, TX	Promise to Give		649	1	
		Contribution		9		
Trustee 22	Dallas, TX	Promise to Give	10,000	10,800	25,122	
		Contribution		282		
Trustee 23	Dallas, TX	Promise to Give	5,000	1,500	7,500	
		Contribution		1		
Trustee 23 - Immediate Family	Dallas, TX	Contribution		1		
Trustee 24	Dallas, TX	Promise to Give	250	50	220	
		Contribution		11		
Trustee 25	Dallas, TX	Promise to Give	125		100	

Southern Methodist University
Notes to the Consolidated Financial Statements
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(Dollars in Thousands)

2024 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment	Ending Asset (Liability) Balance	
Trustee 26	Dallas, TX	Promise to Give	680	380	680	
Trustee 26 - Immediate Family	Dallas, TX	Contribution		1		
Trustee 27	Dallas, TX	Promise to Give		100		
Trustee 28	Dallas, TX	Promise to Give		91	131	
		Contribution		58		
Trustee 29 - Immediate Family	Dallas, TX	Contribution		5		
Trustee 30	Dallas, TX	Promise to Give	1,000	700	6,300	
		Contribution		2		
Trustee 30 - Immediate Family		Promise to Give		400	200	
		Contribution		10		
Trustee 31	Dallas, TX	Contribution		1		
Trustee 32	Dallas, TX	Promise to Give	5,000	1,000	4,000	
		Contribution		1,604		
Trustee 33	Dallas, TX	Promise to Give	500	1,015	10,389	
		Contribution		100		
Trustee 33 - Immediate Family	Dallas, TX	Promise to Give	100	25	75	
		Contribution		20		
Trustee 33 - Immediate Family	Dallas, TX	Promise to Give	100	100		
Trustee 34	Dallas, TX	Promise to Give		5,000	13,000	
Trustee 34 - Immediate Family	Dallas, TX	Promise to Give	10,000	2,000	8,000	
Trustee 35	Dallas, TX	Promise to Give	100	1	100	
		Contribution		2		
Trustee 36	Dallas, TX	Promise to Give	25	333	25	
		Contribution		8		
Trustee 37	Dallas, TX	Promise to Give		100	200	
Trustee 38	Dallas, TX	Promise to Give	5,000	1,450	6,550	
		Contribution		105		
Trustee 38 - Immediate Family	Dallas, TX	Contribution		78		
Trustee 39	Dallas, TX	Promise to Give	100	100	100	
		Contribution		1		
Executive Officer 1	Dallas, TX	Promise to Give	25		25	
		Contribution		2		
Executive Officer 2	Dallas, TX	Contribution		1		
Executive Officer 3	Dallas, TX	Promise to Give	25	5	20	
		Contribution		3		
		Loan Receivable	250		1,625	
Executive Officer 4	Dallas, TX	Contribution		1		
Executive Officer 5	Dallas, TX	Contribution		1		
Executive Officer 6	Dallas, TX	Promise to Give	100	22	86	
		Contribution		15		
Executive Officer 7	Dallas, TX	Contribution		3		
Executive Officer 8	Dallas, TX	Contribution		1		
Trustee 16	Dallas, TX	Private Markets			52	

Southern Methodist University
Notes to the Consolidated Financial Statements
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2024 (Continued)						
Related Party	Location	Nature	Current Year Transaction	Current Year Payment	Ending Asset (Liability) Balance	
Trustee 13	Dallas, TX	Bonds	(4,202)		9,975	
Defined contribution 403(b) plan	Dallas, TX	See Note 13 to the financial statements				
Emeriti retiree health plan	Dallas, TX	See Note 8(b) to the financial statements				
George W. Bush Presidential Center	Dallas, TX	See Note 8(c) to the financial statements				

18. Commitments and Contingencies

The University is contractually obligated for approximately \$144,263 as of May 31, 2025 for construction projects with scheduled completion dates through fiscal year 2029.

The University is party to various lease agreements which requires the University to make future lease payments and other agreements that entitle the University to future independent operations revenues. The University incurred \$1,093 and \$934 in operating lease expenses for facilities and equipment, respectively, and received \$3,698 and \$3,488 in rental revenue in the fiscal years ended May 31, 2025 and 2024, respectively.

As of May 31, 2025, the University has lease commitments and future lease revenue for the following future fiscal years:

	Lease Commitments	Lease Revenues
2026	973	\$ 3,787
2027	605	2,660
2028	546	2,155
2029	286	1,791
2030	4	1,423
Thereafter	-	2,095
Total	\$ 2,414	\$ 13,911

The University participates in the Federal Title IV student financial aid programs and other research and development programs funded by federal grants which are subject to federal compliance requirements and potential audit by federal government agencies. The University has had no material non-compliance in relation to such requirements during the years ended May 31, 2025 and 2024.

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

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

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

19. Subsequent Events

The University has evaluated subsequent events from the Statement of Financial Position date of May 31, 2025 through September 5, 2025, the issuance date of the *Consolidated Financial Statements*, and determined that there are no subsequent events that warrant disclosure as of this date.

20. Financial Responsibility Standards

The University participates in federal Title IV student financial assistance programs, which under U.S. Department of Education (ED) regulations, require it to meet standards of financial responsibility based on criteria determined by ED, as set forth in 34 CFR Subpart 668.171. The criteria for private institutions include an annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR Subpart 668.172, using audited financial statements submitted through ED’s EZ Audit system. The composite score is based on three ratios: Primary reserve, Equity and Net income. These ratios utilize the following financial data of the University, which are not otherwise presented in the financial statements or other notes to the financial statements. Additional financial information has also been presented to facilitate understanding and reconciliation of such data elements to the accompanying consolidated financial statements and related notes to the consolidated financial statements.

- (a) In relation to the Primary Reserve Ratio: Expendable Net Assets, the total property, plant and equipment (PP&E), net is comprised of total land, building, and equipment, net as reported on the Statement of Financial Position, further broken down into the following four categories, PP&E, net – pre-implementation, PP&E, net – post-implementation with outstanding debt for original purchase, PP&E, net – post-implementation without outstanding debt for original purchase and construction in progress. The following is a breakout of PP&E, net for the fiscal year ended May 31, 2025:

	2025
Pre-implementation	\$ 791,241
Post-implementation	753,551
Construction in progress	46,894
Property, Plant and Equipment (PP&E), net (statement of financial position)	\$ 1,591,686

- (b) Additionally, the Primary Reserve Ratio: Expendable Net Assets also includes long-term debt, net, which is comprised of long-term, debt – for long-term purpose: pre-implementation and long-term debt – for long-term purposes: post-implementation. The amount of post-implementation long-term debt equals the amount of outstanding debt which the University has used to obtain the PP&E post-implementation. The breakout of long-term debt for the fiscal year ended May 31, 2025 is as follows:

	2025
Long-term debt – for long-term purposes: pre-implementation	\$ 450,433
Long-term debt – for long-term purposes: post-implementation	147,552
Long-term debt, net (statement of financial position)	\$ 597,985

Southern Methodist University

Supplementary Schedule of Financial Responsibility Data
For the Fiscal Year Ended May 31, 2025

Financial Element	Location in Financial Statements or Related Notes	Amount Used as Ratio Input
Primary Reserve Ratio: Expendable Net Assets		
Net Assets Without Donor Restrictions	Statement of Financial Position, Net Assets Without Donor Restrictions	\$ 1,043,464,000
Net Assets With Donor Restrictions	Statement of Financial Position, Net Assets With Donor Restrictions	\$ 2,740,736,000
Unsecured Related Party Receivable: none*	Note 17, Related Party Transactions*	\$ -
Property, Plant and Equipment (PP&E), net		
PP&E, net - Pre-Implementation	Note 20, Financial Responsibility Standards	\$ 791,241,000
PP&E, net - Post-Implementation	Note 20, Financial Responsibility Standards	\$ 753,551,000
Construction in Progress	Note 20, Financial Responsibility Standards	\$ 46,894,000
	<i>Statement of Financial Position: Land, buildings, and equipment, net.</i>	<u>\$ 1,591,686,000</u>
Intangible Assets - zero/not applicable^	Statement of Financial Position - Goodwill - zero/not applicable^	\$ -
Post-Employment and Pension Liabilities	Note 8b, Benefits obligations, ending balance	\$ 27,650,000
Long-Term Debt, net		
Long-Term Debt - for Long-Term Purposes: Pre-Implementation	Note 20, Financial Responsibility Standards	\$ 450,433,000
Long-Term Debt - for Long-Term Purposes: Post-Implementation	Note 20, Financial Responsibility Standards	\$ 147,552,000
	<i>Statement of Financial Position: Long-Term Debt, net</i>	<u>\$ 597,985,000</u>
Line of Credit for Construction in Progress, n/a	Supplementary Schedule of Financial Responsibility Data, n/a	\$ -
Annuities With Donor Restrictions	Note 15, Split-interest agreements	\$ 15,899,000
Term Endowments With Donor Restrictions - n/a	Note 15, Net Assets With Donor Restrictions - n/a	\$ -
Life Income Funds With Donor Restrictions - n/a	Note 15, Net Assets With Donor Restrictions - n/a	\$ -
Net Assets with Donor Restrictions: Restricted in Perpetuity		
	Note 15, Endowment corpus, restricted in perpetuity	\$ 1,129,264,000
	Note 15, Endowment Donor Contributions, Restricted in Perpetuity	\$ 34,361,000
	Note 15, Perpetual Funds Held in Trust	\$ 12,116,000
	Note 15, Funds Held in Perpetuity for Student Loans	\$ 15,493,000
	<i>Total Net Assets With Donor Restrictions: Restricted in Perpetuity</i>	<u>\$ 1,191,234,000</u>
Primary Reserve Ratio: Expenses and Losses		
	Statement of Activities, Total Expenses	\$ 840,505,000
	Note 8b, Net periodic benefit cost	\$ 1,428,000
Total Expenses and Losses Without Donor Restrictions		<u>\$ 841,933,000</u>

Southern Methodist University

Supplementary Schedule of Financial Responsibility Data - Continued
For the Fiscal Year Ended May 31, 2025

Financial Element	Location in Financial Statements or Related Notes	Amount Used as Ratio Input
Equity Ratio: Modified Net Assets		
Net Assets Without Donor Restrictions	Statement of Financial Position: Net Assets Without Donor Restrictions	\$ 1,043,464,000
Net Assets With Donor Restrictions	Statement of Financial Position: Net Assets With Donor Restrictions	\$ 2,740,736,000
Intangible Assets: none^	Statement of Financial Position - Goodwill: none ^	\$ -
Unsecured Related Party Receivable: none*	Note 17, Related Party Transactions*	\$ -
Equity Ratio: Modified Assets		
Total Assets	Statement of Financial Position, Total Assets	\$ 4,630,053,000
Lease right-of-use assets - pre-implementation		\$ -
Intangible Assets: none^	Statement of Financial position, Goodwill: none^	\$ -
Unsecured Related Party Receivable: none*	Note 17, Related Party Transactions*	\$ -
Net Income Ratio		
Change in Net Assets Without Donor Restrictions	Statement of Activities, Change in Net Assets Without Donor Restrictions	\$ 140,295,000
Revenues and Gains Without Donor Restrictions		
	Statement of Activities, Total Revenues without donor restrictions less endowment gains transferred for spending	\$ 691,271,000
	Note 16a, Endowment gains transferred for spending	\$ (5,433,000)
	Statement of Activities, Net assets released from restrictions	\$ 296,372,000
	<i>Total Revenues and Gains Without Donor Restrictions</i>	<u>\$ 982,210,000</u>

See accompanying independent auditors' report.

* The University has disclosed invested funds with related entities in Note 17 of the Consolidated Financial Statements. Related party receivables are not material to the financial statements.

^ The University has no goodwill or other intangible assets.

** The standard did not have a material effect on the consolidated financial statements.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Southern Methodist University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the consolidated financial statements of Southern Methodist University and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of May 31, 2025, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 5, 2025.

Report on internal control over financial reporting

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

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

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

Report on compliance and other matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements.

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

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

Grant Thornton LLP

Dallas, Texas
September 5, 2025

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Southern Methodist University

Report on compliance for each major federal program

Opinion on each major federal program

We have audited the compliance of Southern Methodist University and subsidiaries (the "University") with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2025. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2025.

Basis for opinion on each major federal program

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

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

Responsibilities of management for compliance

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

Auditor's responsibilities for the audit of compliance

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

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

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

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

Report on internal control over compliance

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

deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

Grant Thornton LLP

Dallas, Texas
September 5, 2025

SOUTHERN METHODIST UNIVERSITY
Schedule of Expenditures of Federal Awards

Year Ended May 31, 2025

Federal Grantor/Program Title /Pass Through Grantor	Federal ALN Number	Payment Source	Pass-Through Federal Award Number	Amount Provided to Subrecipients	Federal Expenditures
<u>Student Financial Aid Cluster</u>					
DEPARTMENT OF EDUCATION:					
Federal Supplemental Educational Opportunity Grant Program	84.007	Direct		-	1,586,543
Federal Work Study Program	84.033	Direct		-	825,466
Federal Perkins Loan Program (note 5)	84.038	Direct		-	838,969
Federal Pell Grant Program	84.063	Direct		-	8,132,274
Federal Direct Loan Program (note 6)	84.268	Direct		-	71,681,256
Total Student Financial Aid Cluster				-	83,064,508
<u>Research & Development Cluster</u>					
DEPARTMENT OF DEFENSE:					
OFFICE OF NAVAL RESEARCH:					
Basic and Applied Scientific Research	12.300	Direct		-	\$61,127
U.S. AIR FORCE ACADEMY:					
Air Force Defense Research Sciences Program	12.800	Direct		-	4,975
AIR FORCE OFFICE OF SCIENTIFIC RESEARCH:					
Pass-Through Programs:					
Worcester Polytechnic Institute	12.800	Pass-through	FA9550-23-1-0220	-	47,412
Total Assistance Listing	12.800			-	52,387
NAVAL INFORMATION WARFARE CENTER PACIFIC:					
	12.XXX	Direct		-	\$54,946
AIR FORCE TECHNICAL APPLICATIONS CENTER:					
	12.XXX	Direct		329,776	2,132,872
U.S. ARMY ENGINEER RESEARCH AND DEVELOPMENT CENTER:					
	12.XXX	Direct		-	306,373
U.S. ARMY RESEARCH OFFICE:					
	12.XXX	Direct		-	\$179,223
U.S. DEPARTMENT OF THE AIR FORCE:					
Pass-Through Programs:					
Anametric, Inc.	12.XXX	Pass-through	FA864923P0447	-	150,660
Sentriqs, Inc.	12.XXX	Pass-through	FA864924P0258	-	33,000
AIR FORCE RESEARCH LABORATORY:					
Pass-Through Programs:					
Mustang Optics, LLC	12.XXX	Pass-through	FA865123CA012	-	36,897
OpenBCI	12.XXX	Pass-through	FA864924P0827	-	32,975
Sentriqs, Inc.	12.XXX	Pass-through	FA864924P0840	-	33,000
U.S. ARMY MEDICAL RESEARCH AND DEVELOPMENT COMMAND:					
Pass-Through Programs:					
Applied Research Associates, Inc.	12.XXX	Pass-through	W81XWH-15-9-001	-	36,427
U.S. ARMY RESEARCH OFFICE:					
Pass-Through Programs:					
Dynamic Systems & Research Corporation	12.XXX	Pass-through	W912HZ24C0011	-	121,493
IntelliEPI	12.XXX	Pass-through	W909MY-22-C-0017	-	\$171,553
DEFENSE ADVANCED RESEARCH PROJECTS AGENCY:					
Pass-Through Programs:					
Mustang Optics, LLC	12.XXX	Pass-through	HR00112290052	-	208,481
DEFENSE THREAT REDUCTION AGENCY:					
Pass-Through Programs:					
The University of Alaska Fairbanks	12.XXX	Pass-through	HDTRA1-21-C-0030	-	534,375
Total Assistance Listing				329,776	4,032,275
Total Department of Defense				329,776	4,145,789
DEPARTMENT OF COMMERCE:					
ECONOMIC DEVELOPMENT ADMINISTRATION:					
Regional Technology and Innovation Hub Program	11.039	Direct		-	286,540
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY:					
Congressionally-Identified Projects	11.617	Direct		63,381	144,506
NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION:					
Pass-Through Programs:					
University of California, San Diego	11.011	Pass-through	NA23OAR0110520	-	60,052
University of South Alabama	11.417	Pass-through	NA20OAR4170494	-	3,678
Total Department of Commerce				63,381	494,776

See notes to the schedule of expenditures of federal awards

SOUTHERN METHODIST UNIVERSITY
Schedule of Expenditures of Federal Awards - Continued

Year Ended May 31, 2025

Federal Grantor/Program Title /Pass Through Grantor	Federal ALN Number	Payment Source	Pass-Through Federal Award Number	Amount Provided to Subrecipients	Federal Expenditures
DEPARTMENT OF THE INTERIOR:					
U.S. GEOLOGICAL SURVEY:					
U.S. Geological Survey Research and Data Collection	15.808	Direct		-	36,475
Total Department of the Interior				-	36,475
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION:					
Science	43.001	Direct		-	374,595
Pass-Through Programs:					
Colorado State University	43.001	Pass-through	80NSSC22K0922	-	53,197
Jet Propulsion Laboratory	43.001	Pass-through	213361	-	81,231
Jet Propulsion Laboratory	43.001	Pass-through	221671	-	9,950
The University of Colorado	43.001	Pass-through	80NSSC20K0148	-	5,991
The University of Florida	43.001	Pass-through	80NSSC23K0960	-	22,111
Arizona State University	43.001	Pass-through	80NSSC24K0665	-	20,909
Total National Aeronautics and Space Administration				-	567,984
NATIONAL ENDOWMENT FOR THE ARTS:					
Promotion of the Arts Grants to Organizations and Individuals	45.024	Direct		-	22,242
Total National Endowment of the Arts				-	22,242
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
NATIONAL CENTER FOR COMPLEMENTARY AND INTEGRATIVE HEALTH:					
Research and Training in Complementary and Integrative Health	93.213	Direct		98,775	453,754
NATIONAL INSTITUTE OF MENTAL HEALTH:					
Pass-Through Programs:					
The University of Texas at Austin	93.242	Pass-through	R01MH120599	-	39,795
The University of California, Los Angeles	93.242	Pass-through	5R33MH115138-05	-	146,856
Total Assistance Listing	93.242			-	186,651
NATIONAL INSTITUTE FOR DRUG ABUSE:					
Pass-Through Programs:					
The University of Arkansas	93.279	Pass-through	R01DA060744	-	38,430
The University of Washington	93.279	Pass-through	1R01DA058626-01	-	141,388
Total Assistance Listing	93.279			-	179,817
NATIONAL CANCER INSTITUTE:					
Cancer Detection and Diagnosis Research	93.394	Direct		18,211	173,376
Pass-Through Programs:					
The University of Texas at Arlington	93.394	Pass-through	1R21CA240220-02	-	(54)
Total Assistance Listing	93.394			18,211	173,322
Cancer Biology Research	93.396	Direct		-	104,166
THE ADMINISTRATION FOR CHILDREN AND FAMILIES:					
Head Start Administration for Children and Families	93.600	Direct		-	8,428
NATIONAL HEART, LUNG, AND BLOOD INSTITUTE:					
Pass-Through Programs:					
The University of Texas Southwestern Medical Center	93.837	Pass-through	5P01HL137630-03	-	18,286
Lung Diseases Research	93.838	Direct		101,391	393,919
NATIONAL INSTITUTE OF NEUROLOGICAL DISORDERS AND STROKE:					
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct		226,284	485,547
Pass-Through Programs:					
Purdue University	93.853	Pass-through	1R01NS123154-01	-	6,788
Total Assistance Listing	93.853			226,284	492,335
NATIONAL INSTITUTE OF ALLERGY AND INFECTIOUS DISEASES:					
Allergy and Infectious Diseases Research	93.855	Direct		342,739	725,610
Pass-Through Programs:					
The University of Notre Dame du Lac	93.855	Pass-through	1R01AI155723-03	-	145,965
Total Assistance Listing	93.855			342,739	871,575
NATIONAL INSTITUTE OF GENERAL MEDICAL SCIENCES:					
Child Health and Human Development Extramural Research	93.859	Direct		201,569	945,215
EUNICE KENNEDY SHRIVER NATIONAL INSTITUTE OF CHILD HEALTH AND HUMAN DEVELOPMENT:					
Biomedical Research and Research Training	93.865	Direct		-	49,357

See notes to the schedule of expenditures of federal awards

SOUTHERN METHODIST UNIVERSITY
Schedule of Expenditures of Federal Awards - Continued

Year Ended May 31, 2025

Federal Grantor/Program Title /Pass Through Grantor	Federal ALN Number	Payment Source	Pass-Through Federal Award Number	Amount Provided to Subrecipients	Federal Expenditures
NATIONAL INSTITUTE ON AGING:					
Aging Research	93.866	Direct		-	185,912
Pass-Through Programs:					
University of Kansas Medical Center Research Institute	93.866	Pass-through	1R61AG078087-01	-	31,478
Northeastern University	93.866	Pass-through	R01AG083179	-	100,487
Total Assistance Listing	93.866			-	317,876
NATIONAL INSTITUTE OF HEALTH:					
Pass-Through Programs:					
Feonix – Mobility Rising	93.XXX	Pass-through	1OT2OD035839-01	-	76,992
Total Department of Health and Human Services				988,970	4,271,693
NATIONAL SCIENCE FOUNDATION:					
Engineering	47.041	Direct		15,907	999,909
Pass-Through Programs:					
Northwestern University	47.041	Pass-through	CMMI-2006350	-	59,610
The University of Houston	47.041	Pass-through	2329739	-	23,178
Total Assistance Listing	47.041			15,907	1,082,697
Mathematical and Physical Sciences	47.049	Direct		26,124	1,878,016
Pass-Through Programs:					
Columbia University	47.049	Pass-through	PHY-1948993	-	230,860
Columbia University	47.049	Pass-through	PHY-1948993	-	168,162
The Research Foundation for The State University of New York	47.049	Pass-through	PHY-2120747	-	52,386
The University of Notre Dame du Lac	47.049	Pass-through	PHY-2309272	-	4,800
Total Assistance Listing	47.049			26,124	2,334,224
Geosciences	47.050	Direct		-	199,932
Computer and Information Science and Engineering	47.070	Direct		12,000	\$621,756
Biological Sciences	47.074	Direct		-	89,174
Social, Behavioral, and Economic Sciences	47.075	Direct		89,987	223,960
Education and Human Resources	47.076	Direct		288,276	1,661,527
Pass-Through Programs:					
The American Educational Research Association	47.076	Pass-through	NSF-DRL #1749275	-	2,328
North Carolina State University	47.076	Pass-through	DRL-2112635	-	37,028
Texas A&M University	47.076	Pass-through	DRL-2452030	-	258
The University of Florida	47.076	Pass-through	2200928	-	24,320
The University of Nebraska at Omaha	47.076	Pass-through	2100355	-	24,642
Total Assistance Listing	47.076			288,276	1,750,103
Office of International Science and Engineering	47.079	Direct		-	3,202
Pass-Through Programs:					
The University of North Texas	47.084	Pass-through	2301952	-	140,734
Total National Science Foundation				432,294	6,445,782
DEPARTMENT OF EDUCATION:					
Education Research	84.305A	Direct		50,339	381,349
Pass-Through Programs:					
The University of Texas at Austin	84.305A	Pass-through	R305A200521	-	29,611
The University of Oregon	84.305A	Pass-through	R305A200018	-	94,627
Total Assistance Listing	84.305A			50,339	505,587
Institute of Education Sciences (IES): Statistical and Research Methodology in Education	84.305D	Direct		18,325	131,396
Special Education Research	84.324A	Direct		627,919	799,762
Pass-Through Programs:					
The University of Oregon	84.324A	Pass-through	R324A230007	-	88,962
Total Assistance Listing	84.324			627,919	888,724
Pass-Through Programs:					
The University of Missouri	84.324X	Pass-through	R324X220102	-	221,894
Pass-Through Programs:					
The University of Texas at Austin	84.325	Pass-through	H325D210061	-	198,706
EDUCATION INNOVATION AND RESEARCH	84.411A	Direct		-	6,823
Education Innovation and Research	84.411B	Direct		-	1,859,739
Pass-Through Programs:					
The University of Texas at Austin	84.411B	Pass-through	S411B230036	-	133,997
Total Assistance Listing	84.411B			-	1,993,736
Pass-Through Programs:					
The University of Texas at San Antonio	84.421	Pass-through	H421F240046	-	12,248
Total Department of Education				696,583	3,959,115

See notes to the schedule of expenditures of federal awards

SOUTHERN METHODIST UNIVERSITY
Schedule of Expenditures of Federal Awards - Continued

Year Ended May 31, 2025

Federal Grantor/Program Title /Pass Through Grantor	Federal ALN Number	Payment Source	Pass-Through Federal Award Number	Amount Provided to Subrecipients	Federal Expenditures
DEPARTMENT OF ENERGY:					
Office of Science Financial Assistance Program	81.049	Direct		586,116	2,073,556
Pass-Through Programs:					
The University of Minnesota	81.049	Pass-through	DE-SC0023454	-	17,856
Total Assistance Listing	81.049			586,116	2,091,413
Pass-Through Programs:					
The University of Illinois	81.086	Pass-through	DE-EE0009651	-	157
Pass-Through Programs:					
Brookhaven National Laboratory	81.087	Pass-through	DE-SC0012704	-	3,358
Clemson University	81.087	Pass-through	DE-EE0011547	-	7,535
The University of North Carolina at Charlotte	81.087	Pass-through	DE-EE0009337	-	145,080
Total Assistance Listing	81.087			-	155,973
Pass-Through Programs:					
Brookhaven National Laboratory	81.089	Pass-through	DE-FE0031873	-	(800)
Pass-Through Programs:					
The University of Illinois	81.135	Pass-through	DE-AR001896	-	364,282
Pass-Through Programs:					
Brookhaven National Laboratory	81.XXX	Pass-through	DE-SC0012704	-	393
Fermi National Accelerator Laboratory	81.XXX	Pass-through	DE-AC02-07CH11359	-	84,629
Fermi National Accelerator Laboratory	81.XXX	Pass-through	DE-AC02-07CH11359	-	251,950
General Atomics	81.XXX	Pass-through	DE-SC0024425	-	138,341
Lawrence Berkeley National Laboratory	81.XXX	Pass-through	DE-AC02-05CH11231	-	(6,832)
Lawrence Livermore National Laboratory	81.XXX	Pass-through	DE-AC52-07NA27344	-	41,935
Pacific Northwest National Laboratory	81.XXX	Pass-through	DE-AC05-76RL01830	-	5,228
Pacific Northwest National Laboratory	81.XXX	Pass-through	DE-AC05-76RL01830	-	6,092
Pantex Plant	81.XXX	Pass-through	DE-NA0001942	-	54,787
Princeton Plasma Physics Laboratory	81.XXX	Pass-through	DE-AC02-09CH11466	-	52,564
Sandia National Laboratories	81.XXX	Pass-through	DE-NA0003525	-	40,000
Sandia National Laboratories	81.XXX	Pass-through	DE-NA0003525	-	(114)
UT-Battelle, LLC / Oak Ridge National Laboratory	81.XXX	Pass-through	DE-AC05-00OR22725	-	2,258
Total Assistance Listing	81.XXX			-	671,229
Total Department of Energy				586,116	3,282,254
DEPARTMENT OF TRANSPORTATION:					
FEDERAL HIGHWAY ADMINISTRATION:					
Highway Research and Development Program	20.200	Direct		130,402	231,273
Highway Training and Education	20.215	Direct		-	11,385
FEDERAL RAILROAD ADMINISTRATION:	20.XXX	Direct		50,906	213,405
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION:					
Pass-Through Programs:					
Colorado State University	20.723	Pass-through	693JK32210006POTA	-	202,688
Colorado State University	20.723	Pass-through	693JK32410005POTA	-	20,269
Total Assistance Listing	20.723			-	222,957
Total Department of Transportation				181,308	679,021
DEPARTMENT OF JUSTICE:					
NATIONAL INSTITUTE OF JUSTICE:					
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	Direct		45,339	191,781
Congressionally Recommended Awards	16.753	Direct		-	15,340
OFFICE OF JUSTICE PROGRAMS:					
Pass-Through Programs:					
City of Dallas	16.738	Pass-through	DPD-2024-00025275	-	137,727
Total Department of Justice				45,339	344,848
Total Research & Development Cluster				3,323,766	24,249,978

See notes to the schedule of expenditures of federal awards

SOUTHERN METHODIST UNIVERSITY
Schedule of Expenditures of Federal Awards - Continued

Year Ended May 31, 2025

Federal Grantor/Program Title /Pass Through Grantor	Federal ALN Number	Payment Source	Pass-Through Federal Award Number	Amount Provided to Subrecipients	Federal Expenditures
<u>TRIO Cluster</u>					
DEPARTMENT OF EDUCATION:					
Office of Postsecondary Education (OPE): Talent Search Program	84.044A	Direct		-	567,964
Upward Bound Program (84.047A) Regular Upward Bound Program	84.047A	Direct		-	1,005,750
Office of Postsecondary Education (OPE): Upward Bound Math and Science Program	84.047M	Direct		-	541,751
Office of Postsecondary Education (OPE): Federal TRIO Programs: Ronald E. McNair	84.217A	Direct		-	211,757
Postbaccalaureate Achievement (McNair) Program				-	211,757
Total TRIO Cluster				-	2,327,222
<u>Other Programs Cluster</u>					
DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES:					
Pass-Through Programs:					
Texas Workforce Commission	93.558	Pass-through	2401TXTANF	-	95,111
Total Department of Health and Human Services				-	95,111
DEPARTMENT OF LABOR:					
Pass-Through Programs:					
Texas Workforce Commission	17.278	Pass-through	AA-38558-22-55-A-48	-	83,901
Total Department of Labor				-	83,901
INSTITUTE OF MUSEUM AND LIBRARY SERVICES:					
Pass-Through Programs:					
Texas Workforce Commission	45.310	Pass-through	LS-256843-OLS-24	-	38,518
Total Institute of Museum and Library Services				-	38,518
Total Other Programs Cluster				-	217,530
Total Federal Assistance				3,323,766	109,859,239

See notes to the schedule of expenditures of federal awards

Southern Methodist University

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended May 31, 2025

NOTE 1 - GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of Southern Methodist University (the University). All federal awards passed through from other entities have been included in the Schedule.

NOTE 2 - BASIS OF ACCOUNTING

The accompanying Schedule is presented using the accrual basis of accounting, which is described in note 1 to the University's consolidated financial statements.

NOTE 3 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying Schedule may not agree with the amounts reported in the related federal financial reports filed with grantor agencies because of accruals which would be included in the next report filed with the agencies

NOTE 4 - PERKINS LOAN PROGRAM

Under federal law, the authority for schools to make new loans under the Federal Perkins Loan Program ended on September 30, 2017, and final disbursements were permitted through June 30, 2018. The outstanding loan balance as of May 31, 2025 was \$640,321. The amount reported on the Schedule of Expenditures of Federal Awards represents the outstanding loan balance of \$838,969 as of May 31, 2024.

NOTE 5 - FEDERAL DIRECT LOAN PROGRAM

This program provides loans directly from the U.S. Department of Education to students with Federal Stafford, Grad PLUS and Parent PLUS loans rather than from a bank or other lending institution.

The University originates the loans and performs certain administrative duties. The institution has no repayment responsibilities, therefore the outstanding loans are not included in the University's consolidated financial statements.

NOTE 6 - SUBRECIPIENTS

Of the federal expenditures presented in the Schedule, the University provided federal awards to subrecipients in the Research & Development (R&D) Cluster totaling \$3,323,766.

NOTE 7 - INDIRECT COST RATE

The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Southern Methodist University

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

May 31, 2025

SECTION I - SUMMARY OF AUDITORS' RESULTS

- | | |
|---|---------------|
| (a) Type of report issued on whether the consolidated financial statements were prepared in accordance with generally accepted accounting principles: | Unmodified |
| (b) Internal control deficiencies over financial reporting disclosed by the audit of the consolidated financial statements: | |
| • Material weaknesses: | No |
| • Significant deficiencies: | None reported |
| (c) Noncompliance material to the financial statements: | No |
| (d) Internal control deficiencies over major programs disclosed by the audit: | |
| • Material weaknesses: | No |
| • Significant deficiencies: | None reported |
| (e) Type of report issued on compliance for major programs: | Unmodified |
| (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): | No |
| (g) Major programs: | |
| • Student Financial Aid Cluster – Various Assistance Listing Numbers (ALN) | |
| • Research & Development Cluster – Various Assistance Listing Numbers (ALN) | |
| (h) Dollar threshold used to distinguish between Type A and Type B programs: | \$3,000,000 |
| (i) Auditee qualified as a low-risk auditee: | Yes |

SECTION II - FINDINGS RELATING TO THE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

None

SECTION III - FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

None