



**Financial Statements and  
Independent Auditor's Report**

**May 31, 2025 and 2024**



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**University of St. Francis**  
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**May 31, 2025 and 2024**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
University of St. Francis  
Joliet, Illinois

### **Opinion**

We have audited the accompanying financial statements of University of St. Francis (the University) (a nonprofit organization), which comprise the statements of financial position as of May 31, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2026 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Sikich CPA LLC*

Naperville, Illinois  
February 18, 2026

## **Financial Statements**

University of St. Francis  
Statements of Financial Position  
May 31, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and cash equivalents	\$ 1,330,805	\$ 651,830
Investments available for operations	862,486	7,277,821
Student accounts receivable, net of allowance of \$1,505,000 in 2025 and \$1,308,000 in 2024	417,297	1,101,385
Other receivables	1,108,759	908,362
Prepaid expenses and other assets	337,449	378,159
Contributions receivable, net of allowance of \$10,000 in 2025 and \$15,000 in 2024	179,400	248,706
Restricted cash	510,709	771,614
Restricted investments	2,363,871	2,023,198
Real estate held for investment	682,000	1,180,000
Student loans receivable, net of allowance of \$50,000	180,977	220,164
Interest rate swap agreements	2,702,210	3,939,696
Operating lease right-of-use assets	1,229,386	2,288,235
Finance lease right-of-use assets	280,709	349,963
Property and equipment, net of accumulated depreciation of \$66,846,804 in 2025 and \$63,688,126 in 2024	44,688,311	46,382,539
Investments designated for endowment	15,122,176	14,330,224
Beneficial interest in perpetual trust	2,711,802	2,608,843
Property and equipment restricted to endowment	939,000	939,000
Investments restricted to endowment	14,254,923	13,448,594
	<b>Total Assets</b>	<b>\$ 89,902,270</b>
	<b>\$ 89,902,270</b>	<b>\$ 99,048,333</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable	\$ 1,232,238	\$ 1,070,342
Accrued expenses	2,895,431	1,657,471
Deferred revenue	2,369,199	2,351,098
Operating lease liabilities	1,466,834	2,568,883
Finance lease liabilities	280,709	349,963
Other liabilities	2,190,237	1,861,450
Bonds and note payable, net of unamortized debt issuance costs of \$251,331 in 2025 and \$266,115 in 2024	28,556,176	30,013,889
U.S. Government student loan funds	225,202	257,196
	<b>Total liabilities</b>	<b>39,216,026</b>
	<b>39,216,026</b>	<b>40,130,292</b>
<b>Net Assets</b>		
Without donor restrictions		
Undesignated	11,260,744	21,330,651
Board designated for endowment	15,122,176	14,330,224
	<b>Total net assets without donor restrictions</b>	<b>26,382,920</b>
	<b>26,382,920</b>	<b>35,660,875</b>
With donor restrictions	24,303,324	23,257,166
	<b>Total net assets</b>	<b>50,686,244</b>
	<b>50,686,244</b>	<b>58,918,041</b>
	<b>Total Liabilities and Net Assets</b>	<b>\$ 89,902,270</b>
	<b>\$ 89,902,270</b>	<b>\$ 99,048,333</b>

See accompanying notes to financial statements.

# University of St. Francis

## Statement of Activities

Year Ended May 31, 2025

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support</b>			
Tuition and fees	\$ 54,738,235	\$ -	\$ 54,738,235
Less scholarships and aid	(24,802,309)	-	(24,802,309)
Net tuition and fees	29,935,926	-	29,935,926
Contributions	614,783	796,520	1,411,303
Grants and contracts	-	2,786,474	2,786,474
Distribution from trusts held by others	-	182,439	182,439
Interest income	177,636	-	177,636
Spending policy distribution	-	630,075	630,075
Auxiliary enterprises	3,903,941	-	3,903,941
Other income	744,366	36,799	781,165
Loss on disposals of property	(27,753)	-	(27,753)
Net assets released from restrictions	4,837,994	(4,837,994)	-
Total revenues, gains, and other support	40,186,893	(405,687)	39,781,206
<b>Expenses</b>			
Instruction	16,034,398	-	16,034,398
Academic support	6,542,648	-	6,542,648
Student services	8,951,431	-	8,951,431
Auxiliary enterprises	3,917,785	-	3,917,785
Total educational program services	35,446,262	-	35,446,262
Institutional support	12,478,186	-	12,478,186
Fundraising	866,859	-	866,859
Total expenses	48,791,307	-	48,791,307
<b>Change in Net Assets from Operating Activities</b>	(8,604,414)	(405,687)	(9,010,101)
<b>Nonoperating Activities</b>			
Investment return, net of spending policy distribution	1,062,871	417,287	1,480,158
Unrealized loss on real estate held for investment	(498,000)	-	(498,000)
Change in fair value of interest rate swap agreements	(1,237,486)	-	(1,237,486)
Change in value of split-interest agreements	(926)	102,959	102,033
Grant revenue restricted for capital	-	931,599	931,599
Total other revenues (expenses)	(673,541)	1,451,845	778,304
<b>Change in Net Assets</b>	(9,277,955)	1,046,158	(8,231,797)
<b>Net Assets, Beginning of Year</b>	35,660,875	23,257,166	58,918,041
<b>Net Assets, End of Year</b>	\$ 26,382,920	\$ 24,303,324	\$ 50,686,244

See accompanying notes to financial statements.

# University of St. Francis

## Statement of Activities

Year Ended May 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, Gains, and Other Support</b>			
Tuition and fees	\$ 55,506,390	\$ -	\$ 55,506,390
Less scholarships and aid	(22,276,408)	-	(22,276,408)
Net tuition and fees	33,229,982	-	33,229,982
Contributions	1,435,937	1,069,792	2,505,729
Grants and contracts	-	2,496,931	2,496,931
Distribution from trusts held by others	-	173,273	173,273
Interest income	487,381	-	487,381
Spending policy distribuion	-	610,999	610,999
Auxiliary enterprises	4,105,765	-	4,105,765
Other income	290,595	42,056	332,651
Net assets released from restrictions	4,879,706	(4,879,706)	-
Total revenues, gains, and other support	44,429,366	(486,655)	43,942,711
<b>Expenses</b>			
Instruction	16,251,428	-	16,251,428
Academic support	7,228,033	-	7,228,033
Student services	9,328,331	-	9,328,331
Auxiliary enterprises	4,296,636	-	4,296,636
Total educational program services	37,104,428	-	37,104,428
Institutional support	10,050,179	-	10,050,179
Fundraising	989,807	-	989,807
Total expenses	48,144,414	-	48,144,414
<b>Change in Net Assets from Operating Activities</b>	(3,715,048)	(486,655)	(4,201,703)
<b>Nonoperating Activities</b>			
Investment return, net of spending policy distribution	1,652,109	1,060,915	2,713,024
Unrealized gain on real estate held for investment	50,000	-	50,000
Change in fair value of interest rate swap agreements	197,256	-	197,256
Change in value of split-interest agreements	(3,059)	240,901	237,842
Grant revenue restricted for capital	-	25,500	25,500
Total nonoperating activities	1,896,306	1,327,316	3,223,622
<b>Change in Net Assets</b>	(1,818,742)	840,661	(978,081)
<b>Net Assets, Beginning of Year</b>	37,479,617	22,416,505	59,896,122
<b>Net Assets, End of Year</b>	\$ 35,660,875	\$ 23,257,166	\$ 58,918,041

See accompanying notes to financial statements.

University of St. Francis  
Statement of Functional Expenses  
Year Ended May 31, 2025

	Educational Program Services					Supporting Services				Total
	Instruction	Academic Support	Student Services	Auxiliary	Total Educational Program Services	Institutional Support	Fundraising	Total Supporting Services		
<b>Labor</b>										
Salaries	\$ 9,578,831	\$ 3,668,727	\$ 3,566,857	\$ 483,983	\$ 17,298,398	\$ 4,073,622	\$ 414,971	\$ 4,488,593	\$ 21,786,991	
Payroll taxes	694,250	233,462	231,398	25,861	1,184,971	264,213	26,128	290,341	1,475,312	
Medical & HSA expense	1,274,378	477,213	663,728	103,289	2,518,608	594,184	42,851	637,035	3,155,643	
403(b) employer match	457,580	211,219	205,546	16,114	890,459	315,797	23,817	339,614	1,230,073	
Other benefits	-	-	-	-	-	1,042,741	-	1,042,741	1,042,741	
<b>Total labor</b>	<b>12,005,039</b>	<b>4,590,621</b>	<b>4,667,529</b>	<b>629,247</b>	<b>21,892,436</b>	<b>6,290,557</b>	<b>507,767</b>	<b>6,798,324</b>	<b>28,690,760</b>	
<b>Operating Expenses (non-labor)</b>										
Accreditation	11,213	40,350	-	-	51,563	1,959	-	1,959	53,522	
Advertising	4,821	20,919	524	252	26,516	149,266	-	149,266	175,782	
Bad debt	-	-	-	-	-	717,010	-	717,010	717,010	
Business insurance	9,768	-	174,353	-	184,121	490,062	-	490,062	674,183	
Conferences and professional development	722	74,560	21,867	320	97,469	15,058	743	15,801	113,270	
Contractual services	1,051,100	409,590	810,442	643,969	2,915,101	2,044,754	54,728	2,099,482	5,014,583	
Equipment	29,947	1,554	11,222	2,297	45,020	6,139	19	6,158	51,178	
Facility and equipment lease	145,247	64,321	322,717	138,550	670,835	50,556	1,851	52,407	723,242	
Fees	6,390	4,205	78,814	4,718	94,127	259,333	17,673	277,006	371,133	
Food	24,069	21,680	156,936	1,139,695	1,342,380	54,572	90,007	144,579	1,486,959	
Interest	155,073	68,817	93,915	91,959	409,764	54,091	979	55,070	464,834	
Memberships	13,211	31,873	103,167	-	148,251	118,314	700	119,014	267,265	
Postage	770	2,316	26,635	1,467	31,188	33,175	27,786	60,961	92,149	
Property taxes	-	-	-	52,613	52,613	-	-	-	52,613	
Publications	3,855	156,458	8,881	-	169,194	1,735	6,857	8,592	177,786	
Purchased mailing lists	-	-	1,125	-	1,125	52,064	-	52,064	53,189	
Rental equipment	4,827	2,091	9,994	36,594	53,506	5,032	26,727	31,759	85,265	
Repairs and maintenance	49,405	16,235	32,082	22,125	119,847	61,259	231	61,490	181,337	
Software licensing	4,209	18,121	21,011	1,805	45,146	837,351	-	837,351	882,497	
Sponsorship and community support	159	-	-	-	159	42,973	-	42,973	43,132	
Supplies	72,522	130,937	355,406	71,510	630,375	119,016	27,444	146,460	776,835	
Telephone	3,071	1,157	2,052	2,199	8,479	57,854	16	57,870	66,349	
Travel	72,653	77,721	371,136	392	521,902	27,971	6,270	34,241	556,143	
Utilities	482,596	214,164	315,571	296,001	1,308,332	354,096	3,048	357,144	1,665,476	
Other	577,266	15,184	574,832	7,337	1,174,619	178,282	85,762	264,044	1,438,663	
Depreciation and amortization	1,306,465	579,774	791,220	774,735	3,452,194	455,707	8,251	463,958	3,916,152	
<b>Total operating expenses (non-labor)</b>	<b>4,029,359</b>	<b>1,952,027</b>	<b>4,283,902</b>	<b>3,288,538</b>	<b>13,553,826</b>	<b>6,187,629</b>	<b>359,092</b>	<b>6,546,721</b>	<b>20,100,547</b>	
<b>Total Expenses</b>	<b>\$ 16,034,398</b>	<b>\$ 6,542,648</b>	<b>\$ 8,951,431</b>	<b>\$ 3,917,785</b>	<b>\$ 35,446,262</b>	<b>\$ 12,478,186</b>	<b>\$ 866,859</b>	<b>\$ 13,345,045</b>	<b>\$ 48,791,307</b>	

See accompanying notes to financial statements.

University of St. Francis  
Statement of Functional Expenses  
Year Ended May 31, 2024

	Educational Program Services					Supporting Services			Total
	Instruction	Academic Support	Student Services	Auxiliary	Total Educational Program Services	Institutional Support	Fundraising	Total Supporting Services	
<b>Labor</b>									
Salaries	\$ 9,816,584	\$ 3,897,235	\$ 3,763,021	\$ 542,985	\$ 18,019,825	\$ 3,213,450	\$ 435,505	\$ 3,648,955	\$ 21,668,780
Payroll taxes	745,168	255,574	258,676	31,460	1,290,878	221,602	27,533	249,135	1,540,013
Medical & HSA expense	1,315,046	636,975	771,937	153,314	2,877,272	565,007	61,122	626,129	3,503,401
403(b) employer match	455,006	225,448	214,346	23,354	918,154	249,208	25,450	274,658	1,192,812
Other benefits	-	-	-	-	-	756,221	-	756,221	756,221
<b>Total labor</b>	<b>12,331,804</b>	<b>5,015,232</b>	<b>5,007,980</b>	<b>751,113</b>	<b>23,106,129</b>	<b>5,005,488</b>	<b>549,610</b>	<b>5,555,098</b>	<b>28,661,227</b>
<b>Operating expenses (non-labor)</b>									
Accreditation	10,015	39,939	-	-	49,954	1,154	-	1,154	51,108
Advertising	3,215	14,537	559	236	18,547	190,329	-	190,329	208,876
Bad debt	-	-	-	-	-	331,343	-	331,343	331,343
Business insurance	12,924	-	166,430	-	179,354	475,808	-	475,808	655,162
Conferences and professional development	5,988	50,672	18,614	1,108	76,382	7,083	822	7,905	84,287
Contractual services	884,375	648,923	873,757	478,751	2,885,806	1,270,876	75,538	1,346,414	4,232,220
Equipment	28,714	3,951	8,398	3,837	44,900	6,884	38	6,922	51,822
Facility and equipment lease	163,183	72,375	311,239	275,576	822,373	58,788	34,347	93,135	915,508
Fees	9,236	4,029	75,651	5,179	94,095	247,501	19,515	267,016	361,111
Food	17,452	21,725	178,306	1,225,469	1,442,952	60,582	82,651	143,233	1,586,185
Interest	156,232	69,332	94,617	92,646	412,827	54,495	987	55,482	468,309
Memberships	10,557	36,923	99,963	-	147,443	126,861	787	127,648	275,091
Postage	898	1,565	32,055	74	34,592	33,551	11,634	45,185	79,777
Property taxes	-	-	-	66,419	66,419	-	-	-	66,419
Publications	2,947	188,162	7,787	-	198,896	10,606	35,522	46,128	245,024
Purchased mailing lists	-	-	1,500	-	1,500	49,104	-	49,104	50,604
Rental equipment	5,043	2,872	11,789	85,794	105,498	4,159	32,294	36,453	141,951
Repairs and maintenance	46,342	16,336	23,882	26,210	112,770	29,665	229	29,894	142,664
Software licensing	8,299	42,971	18,789	1,599	71,658	810,275	17	810,292	881,950
Sponsorship and community support	-	940	7,238	-	8,178	34,410	-	34,410	42,588
Supplies	62,302	55,268	355,446	86,485	559,501	132,727	42,907	175,634	735,135
Telephone	3,612	1,617	7,150	2,694	15,073	25,881	22	25,903	40,976
Travel	60,704	69,633	335,880	9	466,226	15,956	3,259	19,215	485,441
Utilities	510,768	226,665	344,841	317,625	1,399,899	367,409	3,226	370,635	1,770,534
Other	526,646	27,444	504,545	29,408	1,088,043	214,339	87,622	301,961	1,390,004
Depreciation and amortization	1,390,172	616,922	841,915	846,404	3,695,413	484,905	8,780	493,685	4,189,098
<b>Total Non-Labor</b>	<b>3,919,624</b>	<b>2,212,801</b>	<b>4,320,351</b>	<b>3,545,523</b>	<b>13,998,299</b>	<b>5,044,691</b>	<b>440,197</b>	<b>5,484,888</b>	<b>19,483,187</b>
<b>Total Expenses</b>	<b>\$ 16,251,428</b>	<b>\$ 7,228,033</b>	<b>\$ 9,328,331</b>	<b>\$ 4,296,636</b>	<b>\$ 37,104,428</b>	<b>\$ 10,050,179</b>	<b>\$ 989,807</b>	<b>\$ 11,039,986</b>	<b>\$ 48,144,414</b>

See accompanying notes to financial statements.

University of St. Francis  
Statements of Cash Flows  
For Fiscal Year 2025 as of May 31, 2025

	2025	2024
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (8,231,797)	\$ (978,081)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	3,916,152	4,189,098
Loss on disposals of operating lease right-of-use assets	27,753	-
Noncash operating lease expense	(70,953)	(46,936)
Bad debt expense	717,010	331,343
Change in contributions receivable discount	(20,430)	5,670
Perkins loans cancellations and adjustments	3,830	4,763
Net realized and unrealized gains on investments	(802,888)	(2,623,132)
Change in beneficial interest in perpetual trust	(102,959)	(240,901)
Change in fair value of interest rate swap agreements	1,237,486	(197,256)
Actuarial loss on annuity obligations	926	3,059
Contributions restricted for long-term investment	(869,293)	(327,069)
Contributions restricted for property and equipment	(931,599)	(25,500)
Changes in operating assets and liabilities		
Student accounts receivable	(32,922)	59,191
Other receivables	(200,397)	(552,998)
Prepaid expenses and other assets	40,710	123,928
Contributions receivable	89,736	1,775,081
Accounts payable	161,896	(373,142)
Accrued expenses	1,237,960	(394,199)
Deferred revenue	18,101	(397,603)
Other liabilities	333,133	510,977
Net Cash Provided by (Used in) Operating Activities	<u>(3,478,545)</u>	<u>846,293</u>
<b>Cash Flows from Investing Activities</b>		
Purchases of property and equipment	(2,137,886)	(2,277,024)
Purchases of investments	(24,481,240)	(45,703,680)
Proceeds from sales and maturities of investments	30,599,182	48,585,977
Principal payments received on student loans	35,357	130,676
Net Cash Provided by Investing Activities	<u>4,015,413</u>	<u>735,949</u>
<b>Cash Flows from Financing Activities</b>		
Payments on capital lease obligations	-	(6,161)
Payments on finance lease liabilities	(69,254)	(22,028)
Payments on bonds and notes payable	(1,472,497)	(1,448,794)
Payments on annuities payable	(5,272)	(5,272)
Payment on U.S. Government student loan funds	(31,994)	(98,253)
Proceeds restricted for long-term investment	528,620	354,968
Proceeds from contributions restricted for property and equipment	931,599	28,250
Net Cash Used in Financing Activities	<u>(118,798)</u>	<u>(1,197,290)</u>
Net Increase in Cash and Cash Equivalents and Restricted Cash	418,070	384,952
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	<u>1,423,444</u>	<u>1,038,492</u>
Cash and Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,841,514</u>	<u>\$ 1,423,444</u>
<b>Supplemental Cash Flows Information</b>		
Interest paid	<u>\$ 464,835</u>	<u>\$ 461,314</u>

See accompanying notes to financial statements.

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### Note 1 – Nature of Operations and Summary of Significant Accounting Policies

#### Nature of Operations

University of St. Francis (the University) is a private, not-for-profit, Catholic university rooted in the liberal arts and sciences located in Joliet, Illinois, and is comprised of the Colleges of Arts & Sciences, Business & Health Administration, and Education and the Cecily and John Leach College of Nursing. The University is a welcoming community of learners challenged by Franciscan values and charisma that strives for academic excellence in all programs, preparing women and men to contribute to the world through service and leadership. The University's revenues and other support are derived principally from tuition and fees, auxiliary revenue, contributions, and federal and state grants.

#### Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (USGAAP).

#### Use of Estimates

The preparation of financial statements in accordance with USGAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### Cash and Cash Equivalents and Restricted Cash

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2025 and 2024, cash equivalents consisted primarily of money market funds.

At May 31, 2025 and 2024, the University's cash accounts exceeded federally insured limits by approximately \$2,031,000 and \$1,683,000, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage and has not experienced any loss due to the credit risk.

Cash and cash equivalents awaiting longer-term investing are considered part of investments in the accompanying financial statements.

The balance of the Federal Perkins Loan revolving fund and Nurse Faculty Loan fund, consisting of cash awaiting to be loaned to students, are maintained in separate, restricted bank accounts. The balance of the Illinois Certification Board CADC fund consists of cash that must be held in a separate, interest-bearing, restricted bank account.

Restricted cash is comprised of the following for the years ended May 31, 2025 and 2024:

	2025	2024
Federal Perkins Loan revolving fund	\$ 315,492	\$ 443,095
Nurse Faculty Loan fund	97,529	203,450
Illinois Certification Board CADC fund	97,688	125,069
TOTAL	\$ 510,709	\$ 771,614

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 1 – Nature of Operations and Summary of Significant Accounting Policies**  
**(Continued)**

**Cash and Cash Equivalents and Restricted Cash (Continued)**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the amount of cash and cash equivalents and restricted cash reported within the statements of cash flows as of May 31.

	2025	2024
Cash and cash equivalents	\$ 1,330,805	\$ 651,830
Restricted cash	510,709	771,614
	\$ 1,841,514	\$ 1,423,444
Total		

**Student Accounts, Loans Receivable, and Other Receivables**

Student accounts receivable are stated at the amount billed to students, less applied scholarships and loan proceeds, plus any accrued and unpaid interest. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Subsequent recoveries, if any, are credited to the allowance. The University determined that similar risk characteristics existed for receivables with similar days outstanding, so that the pools for which the allowance for credit losses was calculated were based on aging buckets. This is consistent with the methodology under the previous incurred loss model, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. In addition, the following factors will be considered in making qualitative adjustments: student accounts in repayment versus those in nonpaying status; delinquency status; past experience; current conditions and reasonable and supportable forecasts, using graduation rates, inflation and other relevant qualitative factors.

Tuition and fees are generally due at the beginning of the term unless the student has established a payment plan. Student accounts that do not have an established payment plan are considered past due after the second published due date (this date varies but is approximately two to three weeks after classes begin). A late fee is charged to all accounts not paid in full or enrolled in a payment plan by that date. In addition, accounts with balances due from a prior term bear interest at 1% per month. Charges that are past due without any payments for approximately three consecutive months are considered delinquent. Delinquent accounts are sent to collections and subsequently written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Loans that are past due for at least one payment are considered delinquent. Interest is accrued on loans with a delinquent balance greater than nine months. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 1 — Nature of Operations and Summary of Significant Accounting Policies**  
**(Continued)**

**Student Accounts, Loans Receivable, and Other Receivables (Continued)**

Other receivables consist of federal direct loans, grant funds, and other amounts due from third parties. Other receivables are stated at the amount management expects to collect from outstanding balances. The University has determined that no allowance for credit losses on other receivables is required at May 31, 2025 and 2024.

The allowance for credit losses at May 31, 2025 and 2024, was:

	2025	2024
Balance, beginning of year	\$ 1,358,000	\$ 1,536,000
Provision for credit losses	717,000	331,000
Write offs	(536,000)	(535,000)
Recovery of amounts previously written off	16,000	26,000
	<u>\$ 1,555,000</u>	<u>\$ 1,358,000</u>
Balance, end of year	<u>\$ 1,555,000</u>	<u>\$ 1,358,000</u>

The allowance for credit losses at May 31, 2025 and 2024 is comprised of and is presented within the statements of financial position as follows:

	2025	2024
Student accounts receivable allowance	\$ 1,505,000	\$ 1,308,000
Student loans receivable allowance	50,000	50,000
	<u>\$ 1,555,000</u>	<u>\$ 1,358,000</u>
Total	<u>\$ 1,555,000</u>	<u>\$ 1,358,000</u>

**Restricted Investments**

Contributions restricted for deferred compensation and a significant grant received for future scholarship awards are displayed as a component of restricted investments.

**Investments and Investment Return**

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return is reported net in the statements of activities and consists of dividend, interest, and other investment income, less external and direct internal investment expense; and realized and unrealized gains and losses on investments carried at fair value. Investment return is reflected in the statements of activities as income without donor restrictions, or income with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the beginning of the year fair value of the interest of each endowment to the total fair value of the pooled investment accounts.

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### **Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Continued)**

#### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Right-of-use assets under finance lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the University:

Land improvements	10-20 years
Building and improvements	5-40 years
Leasehold improvements	3-20 years
Equipment, furniture, and fixtures	3-25 years
Computer software	10 years
Library books	15 years
Motor vehicles	3-15 years

Property and equipment are capitalized when its purchase price is greater than \$2,500 and it has a useful life of more than two years. In addition, furniture and equipment items that are part of a group purchase with a useful life greater than two years may also be capitalized even though individually the items may fall under the \$2,500 threshold.

#### **Split-Interest Agreements**

The University is the beneficiary of two trusts, the corpuses of which are not controlled by the management of the University. In the absence of donor-imposed conditions, the University recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

The University also administers charitable gift annuities. Assets transferred to the University under these agreements are recorded at fair value. Contribution revenue is recognized at the date that each annuity is established, after recording a liability for the present value of the estimated future payments to be made to the beneficiary.

#### **Deferred Revenue**

Deferred revenue consists primarily of student tuition, housing, and other fees received or billed that are nonrefundable prior to the beginning of an academic term. Revenue from prepaid tuition and summer courses is deferred and recognized over the periods to which the revenue relates.

#### **Net Assets**

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets *Without Donor Restrictions* include net assets available for use in general operations and are not subject to donor-imposed restrictions. The University's Board of Trustees has designated, from net assets without donor restrictions, net assets for board designated endowment, scholarships, and capital and other projects.

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### **Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)**

#### **Net Assets (Continued)**

Net Assets *With Donor Restrictions* include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the University or the passage of time. They may also be subject to donor-imposed restrictions that the contribution be maintained in perpetuity and neither expire with the passage of time nor can be removed by satisfying a specific purpose. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for general or specific purposes. Such assets include primarily the University's permanent endowment.

#### **Contributions**

Gifts of cash and other assets received without donor stipulations are reported as increases in net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as increases in net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then net assets released from restrictions.

Gifts of land, buildings, equipment, and other long-lived assets are reported as changes in net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and is reported as contribution revenue.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable grant advances.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 1 — Nature of Operations and Summary of Significant Accounting Policies**  
**(Continued)**

**Grants**

A portion of the University's revenue is derived from federal grants, which are conditioned upon the incurrence of allowable qualifying expenses or provided qualifying services. Amounts received are conditional and not recognized as revenue until the University has incurred the expenditures or provided services in compliance with specific contract or grant provisions. The University has received conditional promises to give totaling \$8,100,304 and \$10,484,978 as of May 31, 2025 and 2024, respectively. Of those amounts, as of May 31, 2025 and 2024, \$103,557 and \$116,178, of grant awards, respectively, were received in advance of meeting the conditions. Such amounts are recorded within other liabilities on the statements of financial position.

**Revenue Recognition**

*Tuition and Fees*

Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are reported in the fiscal year in which educational programs are conducted, which is the period in which the performance obligations were completed, and revenue was earned. Tuition and fees received in the current fiscal year for the future years' programs are reported as deferred revenue in the statements of financial position.

The nature of tuition and fees give rise to variable consideration in the form of the institutional scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price (tuition and fees). Payments for tuition are due prior to the start of the academic term, whether campus or online session. Tuition and fees are recognized ratably over the academic terms. The University generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

The University's refund policy permits students who officially withdraw by the appropriate date as published to be eligible for a refund. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

*Auxiliary Enterprises*

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the auxiliary enterprises consist of residence halls and dining facilities. Payments for housing and dining services are due prior to the start of the academic term. Performance obligations are delivered over the academic terms; consequently, associated revenues are earned and are recognized over the course of each term as services are delivered. The University generally uses the time elapsed method, an input measure, as it best depicts the simultaneously consumption and delivery of services. Services performed under these contracts are considered a single performance obligation; as such, services are regarded as a bundled series of distinct goods and services with the same timing and pattern of transfer to the resident. Revenue is recognized for these

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### **Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)**

#### **Revenue Recognition (Continued)**

##### *Auxiliary Enterprises (Continued)*

contracts over time as the performance obligation is satisfied by transferring control of the goods and services to the resident. Auxiliary enterprises also include revenues related to event tickets and fees, bookstore sales, and other fines and fees. Revenue for these transactions is recognized at the point in time the sale is made, or fines and fees are assessed.

#### **Significant Judgments**

The University evaluates each contract to determine the numbers of distinct performance obligations in the contract, which requires the use of judgement. Significant judgments include the methodology for recognizing revenue over the appropriate period.

#### **Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and unearned revenue (contract liabilities) on the statements of financial position. Contract liabilities are reflected as deferred revenue in the statements of financial position and released as the performance obligations are met.

The opening balances for contract assets (accounts receivable) from contracts with customers at the beginning of the year were \$1,101,385 at June 1, 2024, and \$1,491,919 at June 1, 2023.

The opening balances for contract liabilities (deferred revenue) from contracts with customers at the beginning of the year were \$2,351,098 at June 1, 2024, and \$2,748,701 at June 1, 2023.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment.

#### **Advertising Costs**

The University uses advertising to promote its various programs. The production costs of advertising are expensed the first time the advertising takes place. Advertising expenses for the years ended May 31, 2025 and 2024 were \$175,782 and \$208,876, respectively.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 1 — Nature of Operations and Summary of Significant Accounting Policies**  
**(Continued)**

**Income Taxes**

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction. In addition, the Internal Revenue Service has determined that the University is not a private foundation within the meaning of Section 509(a) of the IRC.

Management does not believe the University has any material uncertain tax positions. The University's 2022, 2023, and 2024 tax years are open and subject to examination by the taxing authorities. However, the University is not currently under audit, nor has the University been contacted by any of the taxing authorities.

**Functional Allocation of Expenses**

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include depreciation and amortization, interest, insurance, and facilities operations and maintenance (primarily maintenance salaries, contractual services, rent, utilities, repairs and maintenance), which have been allocated among the educational program, institutional support, and fundraising categories based on the square footage of the space utilized by the different University departments. Certain employee benefit expenses have been allocated among the same categories based on the number of benefits eligible employees in the different University departments.

**Leases**

The University leases facilities and equipment. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. Finance leases are included in finance lease right-of-use (ROU) assets and finance lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the University uses an incremental borrowing rate for facility leases or a risk-free rate for equipment leases based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Leases with an initial term of 12 months or less are not recorded on the statements of financial position, and lease expense under short-term leases is recognized on a straight-line basis over the lease term.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 1 — Nature of Operations and Summary of Significant Accounting Policies**  
**(Continued)**

**Leases (Continued)**

The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The University has lease agreements with lease and non-lease components, which are generally accounted for separately. For facility leases, the University accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized as expenses in the period in which the obligation for those payments was incurred.

The University has elected to apply the short-term lease exemption to leases of equipment and facilities. For the years ended May 31, 2025 and 2024, there are only a small number of leases within these classes of underlying assets that qualify for the exemption.

In evaluating contracts to determine if they qualify as a lease, the University considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability related to facility leases, the University use rates implicit in the lease, or if not readily available, the incremental borrowing rate, which is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the University assets. Determining a credit spread as secured by the University assets may require significant judgment.

**Measure of Operations**

Revenue received and expenses incurred in conducting the programs and services of the University are presented in the financial statements as operating activities. Included in total revenue from operations is the spending policy distribution from endowment. Gifts of long lived assets and grants with explicit donor restrictions that specify the gifts must be used for the acquisition of long lived assets are recognized as revenue under nonoperating activities. Nonoperating activities also include investment return, net of the endowment spending policy distribution, unrealized gain or loss on real estate held for investment, change in fair value of interest rate swap agreements, and change in value of split-interest agreements.

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

#### New Accounting Pronouncements

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2025-05 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. This standard introduces a practical expedient and an accounting policy election applicable to current accounts receivable and current contract assets arising from contracts with customers. ASU 2025-05 is effective for fiscal years beginning after December 15, 2025, including interim periods within those fiscal years. Early adoption is permitted. The University adopted the standard effective June 1, 2024. There was no material effect on the financial statements upon implementation of this new standard.

### Note 2 — Liquidity and Availability

The University regularly monitors liquidity required to meet both its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. The University budgets annually with the goal that student-driven revenues are able to cover the total expenses for the year. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. The Board of Trustees may make amounts available from its designated endowment for current operating purposes. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers donor-restricted funds to be unavailable for general expenditures.

As of May 31, 2025 and 2024, the following table shows the total financial assets held by the University, which could be readily available within one year of the statements of financial position date:

	2025	2024
Cash and cash equivalents	\$ 1,330,805	\$ 651,830
Investments available for operations	862,486	7,277,821
Student accounts receivable, net	417,297	1,101,385
Other receivables	1,108,759	908,362
Contributions receivable, net	179,400	248,706
Restricted cash	510,709	771,614
Restricted investments	2,363,871	2,023,198
Student loans receivable, net	180,977	220,164
Investments designated for endowment	15,122,176	14,330,224
Beneficial interest in perpetual trust	2,711,802	2,608,843
Investments restricted to endowment	14,254,923	13,448,594
Total financial assets	39,043,205	43,590,741

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 2 — Liquidity and Availability (Continued)**

	2025	2024
Less those unavailable for general expenditures within one year, due to Legal, contractual or time limitations:		
Restricted cash	\$ (510,709)	\$ (771,614)
Restricted investments, without donor restrictions	(1,511,095)	(1,200,583)
Student loans receivable, net	(33,351)	(35,562)
	(2,055,155)	(2,007,759)
Board designations:	(15,122,176)	(14,330,224)
Donor restrictions:	(23,371,725)	(23,257,166)
Financial assets available to meet the cash needs for general expenditures within one year	\$ (1,505,851)	\$ 3,995,592

Construction in progress at May 31, 2025 and 2024 totaling \$931,599 and \$0, respectively, that is funded through donor-restricted contributions have not been subtracted in the table above.

The University's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business.

The University has incurred significant operating losses in recent years and did not maintain the required debt service coverage ratio for the year ended May 31, 2025, which required a bank waiver. Subsequent to year end, management has obtained a new debt covenant agreement with the bank. In addition, management believes that with the readily available Board designated assets and implementation of a comprehensive two-year plan to reduce operating deficits for the 2025-2026 and 2026-2027 fiscal years there is a reasonable expectation that the University has adequate resources to continue to operate for the foreseeable future. After the statement of financial position date, management began implementation of plans to reduce expenses of the University through a reduction in force of staff and faculty positions, alignment of compensation and benefits, reduced operating expenses, and modifications to tuition discounting. The University has also retained an experienced third-party consultant. In addition, subsequent to May 31, 2025, land held for investment was sold for \$680,000 which added to cash available for operations.

If for any reason the University is unable to succeed in its plans, it could have an impact on the University's ability to realize assets and to extinguish liabilities in the normal course of operations at the amounts stated in the financial statements.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 3 — Contributions Receivable**

Contributions receivable at May 31 consisted of the following:

	2025		2024
Due within one year	\$ 83,700	\$	114,936
Due in one to five years	114,700		178,200
Due after five years	-		-
	198,400		293,136
Less			
Present value discount at 2%	(9,000)		(29,430)
Allowance for uncollectible contributions	(10,000)		(15,000)
	\$ 179,400	\$	248,706

**Note 4 — Investments**

Investments at May 31 consisted of the following:

	2025		2024
Cash and money market funds	\$ 2,689,123	\$	8,794,679
Common and common stock funds	6,584,361		7,568,042
U.S. Government agency mortgage-backed securities	337,924		514,709
Corporate bonds	954,045		3,236,454
Equity mutual funds	391,235		487,538
Fixed income mutual funds	2,037,395		488,738
Corporate bond funds	2,462,415		-
Equity exchange-traded funds	8,546,257		6,480,992
Fixed income exchange-traded funds	6,829,019		6,643,307
Alternative strategy mutual funds	1,771,682		2,865,378
Real estate held for investment	682,000		1,180,000
	\$ 33,285,456	\$	38,259,837

Investments are reflected in the statements of financial position as follows:

	2025		2024
Investments available for operations	\$ 862,486	\$	7,277,821
Restricted investments	2,363,871		2,023,198
Real estate held for investment	682,000		1,180,000
Investments designated for endowment	15,122,176		14,330,224
Investments restricted to endowment	14,254,923		13,448,594
	\$ 33,285,456	\$	38,259,837

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 4 – Investments (Continued)**

Investments are restricted for the following at May 31:

	2025	2024
Scholarships	\$ 852,776	\$ 822,615
Deferred compensation	1,511,095	1,200,583
	\$ 2,363,871	\$ 2,023,198

The composition of investment return for the years ended May 31, 2025 and 2024, was:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 572,202	\$ 386,305	\$ 958,507
Realized gains	105,028	108,332	213,360
Unrealized gains	563,277	552,725	1,116,002
Total investment return	\$ 1,240,507	\$ 1,047,362	\$ 2,287,869
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest and dividends	\$ 853,017	\$ 385,253	\$ 1,238,270
Realized gains	504,688	520,633	1,025,321
Unrealized gains	781,784	766,027	1,547,811
Total investment return	\$ 2,139,489	\$ 1,671,913	\$ 3,811,402

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 5 — Student Loans Receivable**

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program. These loan amounts represent 0.20% and 0.22% of total assets as of May 31, 2025 and 2024, respectively. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Of these amounts, as of May 31, 2025 and 2024, \$33,351 and \$35,562, respectively, were not in repayment status (that is, the borrowers were not yet required to make payment). Most loans that are in repayment status are collected over a period of ten years.

Allowances for credit losses are established based on prior collection experience, current economic factors, and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. Under this Federal loan program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures, therefore affecting the determination of the needed allowance for credit losses. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

An allowance for credit losses has been established at \$50,000 for the years ended May 31, 2025 and 2024.

The following amounts were past due under the Federal student loan program at May 31:

	In Default				Total Past Due
	Less than 270 Days	More Than 270 Days and Less Than 2 Years	More Than 2 Years, Up to 5 Years	More Than 5 Years	
2025	\$ 87,802	\$ 15,233	\$ 92,107	\$ 5,598	\$ 200,740
2024	\$ 24,993	-	\$ 79,913	-	\$ 104,906

The availability of funds under this federal loan program is dependent on reimbursement of the loan fund from repayments on outstanding loans. Funds advanced by the federal government totaled \$32,184 and \$257,196 as of May 31, 2025 and 2024, respectively. These advances are ultimately refundable to the federal government and are classified as other liabilities in the statements of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government.

The authority to make new Perkins Loans ended September 30, 2017, with disbursements permitted through June 30, 2018, for students with existing Perkins Loans. The University will be required to return the federal contribution and may continue servicing their Perkins Loans or assign the Perkins Loans to the Department of Education.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 6 — Property and Equipment**

Property and equipment at May 31 consists of:

	2025	2024
Land and land improvements	\$ 15,492,499	\$ 15,417,959
Buildings and building and leasehold improvements	76,990,622	77,118,337
Equipment, furniture, and fixtures	17,964,898	17,254,974
Administrative computer software	714,972	714,972
Library books	81,997	81,997
Motor vehicles	183,855	183,856
Construction in progress	1,045,272	237,570
	112,474,115	111,009,665
Less accumulated depreciation and amortization	(66,846,804)	(63,688,126)
	\$ 45,627,311	\$ 47,321,539

Property and equipment are reflected in the statements of financial position as follows:

	2025	2024
Property and equipment, net	\$ 44,688,311	\$ 46,382,539
Property and equipment restricted to endowment	939,000	939,000
	\$ 45,627,311	\$ 47,321,539

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing, except for construction costs paid through restricted contributions. As a result, no interest was capitalized for the years ended May 31, 2025 and 2024.

**Note 7 — Beneficial Interest in Perpetual and Revocable Trusts**

The University is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$2,711,802 and \$2,608,843, which represents the fair value of the trust assets at May 31, 2025 and 2024, respectively. The income from this trust for 2025 and 2024 was \$121,489 and \$119,723, respectively.

The University is also the sole beneficiary under a trust administered by a bank. The assets of this trust are not included in the statements of financial position of the University since the trust is revocable at the discretion of the trustee. The income from this trust for 2025 and 2024 was \$60,950 and \$53,550, respectively.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 8 — Annuities Payable**

The University has been the recipient of charitable gift annuities which require future payments to the donor. The University has recorded a liability at May 31, 2025 and 2024 of \$31,925 and \$36,271, respectively, which represents the present value of the future annuity obligations and is included with other liabilities in the statements of financial position. The liability has been determined using a discount rate of 5.0% at May 31, 2025 and 3.0% at 2024, respectively, and applicable mortality tables.

**Note 9 — Bonds and Notes Payable and Line of Credit**

Bonds and notes payable and line of credit obligations at May 31 consist of the following:

	2025	2024
2020 Illinois Finance Authority Revenue Bond; interest varies, equal to the sum of CME Term SOFR and a spread adjustment for one-month interest periods of 0.11448%, maturing through May 31, 2042, payable in monthly installments beginning May 1, 2020, ranging from \$1,922,156 to \$1,927,372 annually. The bonds are unsecured with a negative pledge on all business assets.	\$ 28,807,507	\$ 30,280,004
Total bonds and notes payable	28,807,507	30,280,004
Less unamortized debt issuance costs	(251,331)	(266,115)
Total net bonds and notes payable	\$ 28,556,176	\$ 30,013,889

The bonds are subject to mandatory tender for purchase on each purchase date, as defined in the bond and loan agreement, at which time the bond may be retained by the initial purchaser, remarketed to a new purchaser, or purchased by the University. The next purchase date on which the bonds are subject to mandatory tender for purchase is April 1, 2030. Subsequent to year end, the bond and loan agreement was amended. Commencing February 18, 2026, the interest rate on the bonds is calculated as the bank purchase rate. The bank purchase rate is defined as the sum of (i) the product of (a) the applicable factor times (b) the sum of the daily simple SOFR Rate, plus 0.11448% (benchmark rate), plus (ii) the applicable margin, assuming an alternate benchmark rate is not selected. The applicable factor is initially set at 80%, with a floor of 65% and a ceiling of 100%. The applicable margin is 89 basis points from February 18, 2026 to February 19, 2026, 114 points on February 19, 2026 to June 1, 2028, and 89 points on June 1, 2028 to April 1, 2030.

The bond and term loan agreements contain certain covenants, including continuation of use of University facilities for educational purposes, maintenance of insurance policies, and availability of certain financial records. In addition, the agreements require the University to maintain certain financial ratios related to debt service coverage and liquidity. As of May 31, 2025, the University was not in compliance with the debt service coverage ratio. Subsequent to year end, management has obtained a waiver of that requirement as of May 31, 2025. As of May 31, 2024, the University believes it is in compliance with these covenants and ratios.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 9 — Bonds and Notes Payable and Line of Credit (Continued)**

As of May 31, 2025 and 2024, the University has \$5,000,000 available on an unsecured line of credit with a local bank with an expiration date of June 30, 2025. As of May 31, 2025 and 2024, the interest rate of 7.5% and 8.5%, respectively, on the line of credit is the prime rate. There was no outstanding balance at May 31, 2025 and 2024.

Aggregate annual maturities of bonds and notes payable and the line of credit at May 31, 2025, are:

	<b>Bonds and Notes Payable</b>
2026	\$ 1,495,279
2027	1,518,406
2028	1,540,856
2029	1,565,732
2030	22,687,234
	\$ 28,807,507

**Note 10 — Derivative Financial Instruments - Interest Rate Swap Agreements**

In April of 2020, the University entered into an interest rate swap agreement for the variable rate bond. The interest rate swap agreement associated with the bond provides for the University to receive interest from the counterparty at 80% SOFR + 9.158 and to pay interest to the counterparty at a fixed rate of 0.61% on a notional amount of \$28,819,562 at May 31, 2025.

Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at fair value with subsequent changes in fair value included in other revenues or expenses.

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

### Note 11 — Net Assets

#### Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31 are available for the following purposes or periods:

	2025	2024
Subject to expenditure for specified purpose		
Scholarships	\$ 1,710,704	\$ 1,707,761
Educational programs and other	4,640,950	4,455,422
Property and equipment purchases	45,945	47,045
	<u>6,397,599</u>	<u>6,210,228</u>
Endowments		
Subject to appropriation and expenditure when specified events occur		
Restricted by donor for		
Scholarships	3,607,676	3,112,632
Faculty development and other programs	384,652	365,589
Prizes and awards	59,804	69,673
	<u>4,052,132</u>	<u>3,547,894</u>
Investment in perpetuity, the income of which is expendable to support:		
Scholarships	9,155,168	8,862,290
Faculty development and other programs	429,048	426,135
Prizes and awards	128,250	121,950
Buildings and facilities management	1,429,325	1,429,325
Beneficial interest in perpetual trust, the income of which is to be spent on scholarships	2,711,802	2,608,843
	<u>13,853,593</u>	<u>13,448,543</u>
Total Endowments	<u>17,905,725</u>	<u>16,996,437</u>
Subject to perpetual restrictions upon receipt		
Contributions receivable	-	50,501
	<u>\$ 24,303,324</u>	<u>\$ 23,257,166</u>

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 11 — Net Assets (Continued)**

**Net Assets Released from Restrictions**

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

	2025	2024
Purpose restrictions accomplished		
Scholarships	\$ 1,039,026	\$ 910,468
Faculty development and other programs	3,785,022	3,931,836
Prizes and awards	9,872	8,250
	4,833,920	4,850,554
 Property and equipment acquired and placed in service	 4,074	 29,152
	\$ 4,837,994	\$ 4,879,706

**Net Assets Without Donor Restrictions Designated by the Board**

	2025	2024
Board designated for endowment to benefit the following purposes:		
Scholarships	\$ 1,821,744	\$ 1,682,812
Faculty development	12,640,823	11,750,184
Prizes and awards	36,952	28,502
Buildings and facilities management	622,657	868,726
	\$ 15,122,176	\$ 14,330,224

**Note 12 — Endowment**

The University's endowment consists of approximately 92 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by USGAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 12 – Endowment (Continued)**

The University's Board of Trustees has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (Illinois UPMIFA) as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA. In addition, the University includes in its permanently restricted endowment a beneficial interest in a perpetual trust administered by an outside party, the income from which is restricted to scholarships. In accordance with Illinois UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at May 31, 2025 and 2024, was:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,966,725	\$ 16,966,725
Donor-restricted endowed property	-	939,000	939,000
Board-designated endowment funds	15,122,176	-	15,122,176
<b>Total endowment funds</b>	<b>\$ 15,122,176</b>	<b>\$ 17,905,725</b>	<b>\$ 33,027,901</b>
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,057,437	\$ 16,057,437
Donor-restricted endowed property	-	939,000	939,000
Board-designated endowment funds	14,330,224	-	14,330,224
<b>Total endowment funds</b>	<b>\$ 14,330,224</b>	<b>\$ 16,996,437</b>	<b>\$ 31,326,661</b>

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

### Note 12 — Endowment (Continued)

Changes in endowment net assets for the years ended May 31, 2025 and 2024 were:

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 14,330,224	\$ 16,996,437	\$ 31,326,661
Investment return			
Investment income	396,608	393,771	790,379
Net appreciation	657,537	700,850	1,358,387
Total investment Return	1,054,145	1,094,621	2,148,766
Contributions	-	559,216	559,216
Transfers	2,168	16,964	19,132
Appropriation of endowment assets for expenditure	(264,361)	(761,513)	(1,025,874)
Endowment net assets, end of year	\$ 15,122,176	\$ 17,905,725	\$ 33,027,901

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

### Note 12 — Endowment (Continued)

	2024		
	Without Donor Restrictions	Without Donor Restrictions	Without Donor Restrictions
Endowment net assets, beginning of year	\$ 12,146,002	\$ 15,565,127	\$ 27,711,129
Investment return			
Investment income	358,616	381,653	740,269
Net depreciation	1,231,449	1,429,804	2,661,253
Total investment Return	1,590,065	1,811,457	3,401,522
Contributions	-	327,069	327,069
Operating investment transfer to support endowment expenditures	463,846	-	463,846
Move 25% of annual fund contributions to endowment	105,911	-	105,911
Transfers	27,817	(26,916)	901
Appropriation of endowment assets for expenditure	(3,417)	(680,300)	(683,717)
Endowment net assets, end of year	\$ 14,330,224	\$ 16,996,437	\$ 31,326,661

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as "underwater" endowments. There were no such deficiencies at May 31, 2025 and 2024.

The University has interpreted Illinois UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 12 — Endowment (Continued)**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to produce the highest level of return while assuming a moderate level of investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. This distribution is intended to support operations as well as cover investment-related fees and expenses. In establishing this policy, the University considered 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 grow at an average of 3% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

**Note 13 — Revenues from Contracts with Customers**

The University recognizes revenue from contracts with customers through three primary revenue streams, including tuition and fees, auxiliary enterprises, and other income. The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended May 31, 2025 and 2024:

	2025	2024
Revenue recognized over time	\$ 33,950,261	\$ 36,850,376
Revenue recognized at a point in time	626,095	745,148
	\$ 34,576,356	\$ 37,595,524

The portion of auxiliary enterprises revenue that does not represent revenues from contracts with customers totaled \$44,676 and \$50,180 as of May 31, 2025 and 2024, respectively, and has not been included in the table above. The portion of other income that does not represent revenues from contracts with customers totaled \$0 and \$22,694 as of May 31, 2025 and 2024, respectively, and has not been included in the table above.

**University of St. Francis**  
**Notes to Financial Statements**  
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**Note 14 — Leases**

The University has operating leases for facilities and equipment.

The University entered an approximately ten-year lease for classroom and office space at a location for its campus located in Albuquerque, New Mexico, which expired in August 2024. The lease was renewed for another three years beginning in September 2024. The lease required the University to pay all executory costs (maintenance, utilities, and insurance). During April 2025, an assignment and assumption of lease was signed which transferred and conveyed all the University's right, title and interest as tenant or lessee to the lease and all the obligations, liabilities, rights, benefits and privileges of tenant or lessee under the Lease to a third-party effective May 1, 2025.

The University entered into a lease agreement for space in the Rialto Theater building located in downtown Joliet, Illinois. The lease agreement is 20 years and expires in June 2029. This lease requires the University to pay all executory costs (property taxes, maintenance, utilities, and insurance).

Effective July 2016, the University entered into a license agreement to lease space in an athletic facility in Joliet, Illinois, through July 2027. A usage fee is payable in three installments due on or before July 1, October 1, and January 1.

In addition, the University has several other non-cancelable operating leases and service agreements for office equipment and laundry facilities equipment that expire in various years through December 2030.

The components of lease expense were as follows:

	2025	2024
Operating lease cost	\$ 632,790	\$ 807,139
Short-term lease cost	59,396	58,086
Variable cost	30,753	50,283
Loss on termination of sublease income	27,753	-
Total operating lease cost	750,692	915,508
Capital lease cost		
Amortization of capital lease assets	-	3,284
Interest on capital lease liabilities	-	-
Total capital lease cost	-	3,284
Finance lease cost		
Amortization of right-of-use assets	69,254	22,028
Interest on lease liabilities	13,044	4,882
Total finance lease cost	82,298	26,910
<b>TOTAL LEASE COST</b>	<b>\$ 832,990</b>	<b>\$ 945,702</b>

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 14 — Leases (Continued)**

The following table summarizes the lease cash flow information recorded in the statements of cash flows at May 31, 2025 and 2024:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 665,472	\$ 856,062
Operating cash flows from finance leases	13,044	4,882
Financing cash flows from capital leases	-	6,161
Financing cash flows from finance leases	69,254	22,028
<b>TOTAL CASH PAID</b>	<b>\$ 747,770</b>	<b>\$ 889,133</b>
	2025	2024
Weighted-average remaining lease term (years)		
Operating leases	3.8 years	4.2 years
Finance leases	3.75 years	4.8 years
Weighted-average discount rate		
Operating leases	4.74%	4.63%
Finance leases	4.27%	4.27%

The aggregate future maturities of the lease liabilities at May 31 are as follows:

	Operating Leases	Finance Leases	Total
2026	\$ 443,409	\$ 82,298	\$ 525,707
2027	429,052	82,298	511,350
2028	340,103	82,298	422,401
2029	329,942	55,387	385,329
2030	48,237	-	48,237
Thereafter	13,161	-	13,161
Total future undiscounted lease payments	1,603,904	302,281	1,906,185
Less interest	(137,070)	(21,572)	(158,642)
<b>PRESENT VALUE OF LEASE LIABILITIES</b>	<b>\$ 1,466,834</b>	<b>\$ 280,709</b>	<b>\$ 1,747,543</b>

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

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**Note 15 — Retirement Plans**

The University has a defined contribution benefit plan (the Plan) covering substantially all full-time faculty, administrative, and staff personnel who agree to make contributions of at least 5% of the employee's base salary to the Plan. The University's annual contribution to the Plan ranges between 5% and 10% of the employees' base salaries depending upon years of service. The retirement benefit expense was \$1,230,073 and \$1,192,812 for 2025 and 2024, respectively.

In February 2016, the University established a nonqualified deferred compensation plan for a select group of key management or highly compensated employees, providing supplemental retirement income benefits through the deferral of base salary, bonus compensation, and additional discretionary contributions by the University.

Additionally, the University entered into an agreement with a trustee under an irrevocable trust (the "trust") to be used in connection with the non-qualified plan. The Trust is intended to be a rabbi trust, and the assets of the trust belong to the University and are subject to the claims of the University's general creditors. The trust assets are invested in a managed portfolio proprietary fund.

Participants are fully vested at all times in their base salary deferrals, bonus compensation deferrals, matching contributions, and discretionary contributions, and any earnings thereon.

Payment of a participant's vested account shall be made within 90 days of the earliest to occur: separation from service; death; and disability.

During the years ended May 31, 2025 and 2024, the University made discretionary contributions to the trust of \$212,500 and \$212,500, respectively, recognized as compensation expense. The fair market value of the underlying trust assets as of May 31, 2025 and 2024, was \$1,511,095 and \$1,200,583, respectively, and are included in cash and restricted investments along with a related deferred compensation liability of \$1,511,095 and \$1,200,583, respectively, included in other liabilities on the statements of financial position.

**Note 16 — Related Party Transactions**

The University conducts business with various vendors throughout the Joliet and greater Chicagoland areas. Several of the University's vendors have principals or employees currently serving on its Board of Trustees. In accordance with the University's Conflict of Interest Policy, each Trustee is required to disclose her or his business relationship with the University on an annual basis.

Approximately \$170,000 (86%) and \$235,208 (80%) of all contributions receivable were due from related parties, including certain members of the Board of Trustees, in 2025 and 2024, respectively, and approximately \$217,763 (14%) and \$154,133 (6%) of contribution revenue was received from related parties, including certain members of the Board of Trustees, in 2025 and 2024, respectively.

**University of St. Francis**  
**Notes to Financial Statements**  
**May 31, 2025 and 2024**

**Note 17 — Disclosures About Fair Value of Assets and Liabilities**

**Recurring Measurements**

USGAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. USGAAP also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2025 and 2024:

	2025			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Cash equivalents	\$ 2,689,123	\$ -	\$ -	\$ 2,689,123
Common and common stock funds	6,584,361	-	-	6,584,361
U.S. Government agency mortgage-backed securities	-	337,924	-	337,924
Corporate bonds	-	954,045	-	954,045
Equity mutual funds	391,235	-	-	391,235
Fixed income mutual funds	2,037,395	-	-	2,037,395
Corporate bond funds	2,462,415	-	-	2,462,415
Equity exchange-traded funds	8,546,257	-	-	8,546,257
Fixed income exchange-traded funds	6,829,019	-	-	6,829,019
Alternative strategy mutual funds	33,687	1,737,995	-	1,771,682
Real estate held for Investment	-	682,000	-	682,000
Subtotal investments	29,573,492	3,711,964	-	33,285,456

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

### Note 17 — Disclosures About Fair Value of Assets and Liabilities (Continued)

#### Recurring Measurements (Continued)

	2025			
	Level 1	Level 2	Level 3	Total
Other Assets				
Beneficial interest in perpetual trust	\$ -	\$ -	\$ 2,711,802	\$ 2,711,802
Interest rate swap Agreements	-	2,702,210	-	2,702,210
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ 29,573,492</b>	<b>\$ 6,414,174</b>	<b>\$ 2,711,802</b>	<b>\$ 38,699,468</b>
	2024			
	Level 1	Level 2	Level 3	Total
Assets				
Investments				
Cash equivalents	\$ 8,794,679	\$ -	\$ -	\$ 8,794,679
Common and preferred Stocks	7,568,042	-	-	7,568,042
U.S. Government agency mortgage-backed securities	-	514,709	-	514,709
Corporate bonds	-	3,236,454	-	3,236,454
Equity mutual funds	487,538	-	-	487,538
Fixed income mutual funds	488,738	-	-	488,738
Equity exchange-traded funds	6,480,992	-	-	6,480,992
Fixed income exchange-traded funds	6,643,307	-	-	6,643,307
Alternative strategy mutual funds	2,865,378	-	-	2,865,378
Real estate held for Investment	-	1,180,000	-	1,180,000
Subtotal investments	33,328,674	4,931,163	-	38,259,837
Other Assets				
Beneficial interest in perpetual trust	-	-	2,608,843	2,608,843
Interest rate swap Agreements	-	3,939,696	-	3,939,696
<b>TOTAL ASSETS AT FAIR VALUE</b>	<b>\$ 33,328,674</b>	<b>\$ 8,870,859</b>	<b>\$ 2,608,843</b>	<b>\$ 44,808,376</b>

# University of St. Francis

## Notes to Financial Statements

May 31, 2025 and 2024

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### Note 17 – Disclosures About Fair Value of Assets and Liabilities (Continued)

#### Recurring Measurements (Continued)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

#### Investments and Real Estate Held for Investment

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If an investment that is measured using net asset value (NAV) has a readily determinable fair value (that is, it can be traded at the measurement date at its published NAV), it is included in Level 1 of the hierarchy. Cash equivalents that meet this criterion are included in Level 1. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

#### Beneficial Interest in Perpetual Trust

Fair value is determined using the fair value of the assets held in the trust reported by the trustee as of the last day of the fiscal year. The University considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy, because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them.

#### Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

#### Unobservable (Level 3) Inputs

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of financial position using significant unobservable (Level 3) inputs:

	2025	2024
Beneficial interest in perpetual trust		
Balance, beginning of year	\$ 2,608,843	\$ 2,367,942
Distributions to the University	(121,489)	(119,723)
Total change in value of perpetual trust	224,448	360,624
Balance, end of year	\$ 2,711,802	\$ 2,608,843

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**Note 18 — Significant Estimates, Concentrations, and Contingencies**

USGAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**Student Accounts Receivable**

The University grants unsecured credit to students located throughout the United States of America.

**Asset Retirement Obligation**

The University's conditional asset retirement obligations primarily relate to the remediation of asbestos contained in buildings that the University owns. Environmental regulations exist that require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Determination of the recorded liability is based on a number of estimates and assumptions including discount rate, abatement cost estimates, and estimates of dates of abatement. The University estimated its liability at May 31, 2025 and 2024 to be \$531,970 and \$508,428, respectively, which is included in the other liabilities line in the statements of financial position.

**Litigation**

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University. Events could occur that would change this estimate materially in the near term.

**Construction Commitment**

The University had open construction contracts with a purchase commitment totaling \$6,505,139 and \$0 for the years ended May 31, 2025 and 2024, respectively.

**Note 19 — Risks and Uncertainties**

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

**Note 20 — Subsequent Events**

Subsequent events have been evaluated as of February 18, 2026, which is the date the financial statements were available to be issued, and determined that there were no significant nonrecognized subsequent events through that date, except as disclosed in Notes 2 and 9.