

Saint Francis University

Consolidated Financial Statements

June 30, 2025 and 2024

Saint Francis University

Table of Contents
June 30, 2025 and 2024

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

Independent Auditors' Report

To the Board of Trustees of
Saint Francis University

Opinion

We have audited the consolidated financial statements of Saint Francis University (the University), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

State College, Pennsylvania
November 24, 2025

Saint Francis University

Consolidated Statements of Financial Position June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Assets		
Cash and cash equivalents	\$ 2,463,483	\$ 1,501,402
Accounts receivable:		
Students, net	1,610,040	1,505,224
Government agencies	999,244	891,437
Other	171,746	409,064
Unconditional promises to give, net	781,723	954,410
Inventory	255,621	264,910
Prepaid expenses and other	1,272,697	1,370,183
Investments	64,640,656	60,140,792
Student loans receivable	57,396	166,010
Debt service reserve fund	1,977,669	1,980,594
Beneficial interest in remainder trust	97,268	89,400
Right-of-use assets	505,936	675,724
Plant assets, net	86,788,805	92,340,087
	<u>161,622,284</u>	<u>162,289,237</u>
Total assets	<u>\$ 161,622,284</u>	<u>\$ 162,289,237</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,944,669	\$ 2,091,497
Lines of credit	9,790,000	5,910,000
Construction accounts payable	-	851,069
Accrued payroll and related liabilities	3,060,358	2,911,151
Refundable advances	956,726	1,359,186
Deferred summer tuition	2,611,629	2,622,726
Other accrued liabilities	273,625	277,985
Student deposits and prepayments	274,615	285,697
Bonds payable	34,246,155	35,022,699
Notes payable	726,371	1,323,336
Operating lease obligations	505,936	675,724
Finance lease obligations	124,151	125,248
Annuities payable	26,234	36,031
Advance from federal government for student loans	87,067	206,138
	<u>54,627,536</u>	<u>53,698,487</u>
Total liabilities	<u>54,627,536</u>	<u>53,698,487</u>
Net Assets		
Without donor restrictions	44,572,064	51,032,980
With donor restrictions	62,422,684	57,557,770
	<u>106,994,748</u>	<u>108,590,750</u>
Total net assets	<u>106,994,748</u>	<u>108,590,750</u>
	<u>\$ 161,622,284</u>	<u>\$ 162,289,237</u>
Total liabilities and net assets	<u>\$ 161,622,284</u>	<u>\$ 162,289,237</u>

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities

Year Ended June 30, 2025

(With Comparative Totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating Revenues				
Tuition and fees, net	\$ 35,351,091	\$ -	\$ 35,351,091	\$ 35,405,140
Federal grants and contracts	1,417,600	-	1,417,600	2,558,059
State and local grants	749,167	-	749,167	530,779
Private gifts, grants and bequests	2,335,874	3,888,649	6,224,523	6,770,461
Interest and dividends, net	350,156	773,419	1,123,575	1,218,303
Other income	4,954,917	-	4,954,917	4,226,713
Auxiliary enterprises, net	13,249,819	-	13,249,819	13,179,782
Transfer from nonoperating to fund depreciation	609,038	-	609,038	599,346
Transfer from nonoperating from quasi-endowment earnings for use in operations	-	-	-	4,000,000
Net assets released from restrictions:				
Satisfaction of program restrictions	2,262,093	(2,262,093)	-	-
Appropriation from donor endowment	1,787,197	(1,787,197)	-	-
Total operating revenues	63,066,952	612,778	63,679,730	68,488,583
Operating Expenses				
Educational and general:				
Program expenses:				
Instructional	22,794,767	-	22,794,767	22,776,132
Research and public service	1,928,554	-	1,928,554	1,883,814
Academic support	1,874,604	-	1,874,604	1,821,758
Student services	17,626,392	-	17,626,392	17,788,808
Institutional support	14,845,594	-	14,845,594	12,769,029
Total educational and general	59,069,911	-	59,069,911	57,039,541
Auxiliary enterprises	11,117,855	-	11,117,855	10,492,693
Total operating expenses	70,187,766	-	70,187,766	67,532,234
Change in net assets from operating activities	(7,120,814)	612,778	(6,508,036)	956,349
Nonoperating Activities				
Realized and unrealized gain on investments	1,268,936	4,244,268	5,513,204	4,578,092
Capital grants	-	-	-	350,621
Transfer from nonoperating from quasi-endowment earnings for use in operations	-	-	-	(4,000,000)
Transfer to operations to fund depreciation	(609,038)	-	(609,038)	(599,346)
Change in value of split-interest agreements	-	7,868	7,868	11,836
Change in net assets from nonoperating activities	659,898	4,252,136	4,912,034	341,203
Change in net assets	(6,460,916)	4,864,914	(1,596,002)	1,297,552
Net Assets, Beginning	51,032,980	57,557,770	108,590,750	107,293,198
Net Assets, Ending	\$ 44,572,064	\$ 62,422,684	\$ 106,994,748	\$ 108,590,750

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	\$ 35,405,140	\$ -	\$ 35,405,140
Federal grants and contracts	2,558,059	-	2,558,059
State and local grants	530,779	-	530,779
Private gifts, grants and bequests	3,081,948	3,688,513	6,770,461
Interest and dividends, net	501,937	716,366	1,218,303
Other income	4,226,713	-	4,226,713
Auxiliary enterprises, net	13,179,782	-	13,179,782
Transfer from nonoperating to fund depreciation	599,346	-	599,346
Transfer from nonoperating from quasi-endowment earnings for use in operations	4,000,000	-	4,000,000
Net assets released from restrictions:			
Satisfaction of program restrictions	7,041,407	(7,041,407)	-
Appropriation from donor endowment	1,764,053	(1,764,053)	-
Total operating revenues	<u>72,889,164</u>	<u>(4,400,581)</u>	<u>68,488,583</u>
Operating Expenses			
Educational and general:			
Program expenses:			
Instructional	22,776,132	-	22,776,132
Research and public service	1,883,814	-	1,883,814
Academic support	1,821,758	-	1,821,758
Student services	17,788,808	-	17,788,808
Institutional support	12,769,029	-	12,769,029
Total educational and general	57,039,541	-	57,039,541
Auxiliary enterprises	10,492,693	-	10,492,693
Total operating expenses	<u>67,532,234</u>	<u>-</u>	<u>67,532,234</u>
Change in net assets from operating activities	<u>5,356,930</u>	<u>(4,400,581)</u>	<u>956,349</u>
Nonoperating Activities			
Realized and unrealized gain on investments	785,555	3,792,537	4,578,092
Capital grants	350,621	-	350,621
Change in donor intent of gift	2,154,242	(2,154,242)	-
Transfer from nonoperating from quasi-endowment earnings for use in operations	(4,000,000)	-	(4,000,000)
Transfer to operations to fund depreciation	(599,346)	-	(599,346)
Change in value of split-interest agreements	-	11,836	11,836
Change in net assets from nonoperating activities	<u>(1,308,928)</u>	<u>1,650,131</u>	<u>341,203</u>
Change in net assets	4,048,002	(2,750,450)	1,297,552
Net Assets, Beginning	<u>46,984,978</u>	<u>60,308,220</u>	<u>107,293,198</u>
Net Assets, Ending	<u>\$ 51,032,980</u>	<u>\$ 57,557,770</u>	<u>\$ 108,590,750</u>

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Functional Expenses
Year Ended June 30, 2025

	Program Expenses						Facilities, Operations and Maintenance	Total
	Instructional	Research and Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises		
Operating Expenses								
Compensation:								
Salaries and wages	\$ 12,457,245	\$ 646,213	\$ 297,019	\$ 6,171,084	\$ 3,648,224	\$ 1,652,303	\$ 1,765,216	\$ 26,637,304
Benefits	3,041,203	169,882	84,386	1,532,368	3,087,648	405,019	701,923	9,022,429
Professional services	155,620	19,836	-	771,386	3,892,733	1,948,118	243,253	7,030,946
Other	1,258,879	93,007	437,563	3,199,550	1,869,341	2,048,027	1,774,020	10,680,387
Depreciation and amortization	1,115,837	216,996	79,132	792,876	1,167,909	2,528,164	508,696	6,409,610
Travel, conferences, recruitment, meals and lodging	274,488	248,305	69	2,555,547	145,386	45,469	56,283	3,325,547
Supplies, equipment maintenance and repairs	625,493	75,171	1,389	369,181	94,961	344,812	553,173	2,064,180
Food	-	-	-	-	5,574	1,645,860	474	1,651,908
Interest	-	-	-	10,292	-	10,931	1,654,464	1,675,687
Insurance	-	-	-	127,594	-	477,701	300,994	906,289
Marketing and advertising	132,105	28,310	-	101,071	510,542	11,451	-	783,479
	19,060,870	1,497,720	899,558	15,630,949	14,422,318	11,117,855	7,558,496	70,187,766
Allocation of facilities, operations and maintenance	3,733,897	430,834	975,046	1,995,443	423,276	-	(7,558,496)	-
Total operating expenses	<u>\$ 22,794,767</u>	<u>\$ 1,928,554</u>	<u>\$ 1,874,604</u>	<u>\$ 17,626,392</u>	<u>\$ 14,845,594</u>	<u>\$ 11,117,855</u>	<u>\$ -</u>	<u>\$ 70,187,766</u>

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2024

	Program Expenses						Facilities, Operations and Maintenance	Total
	Instructional	Research and Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises		
Operating Expenses								
Compensation:								
Salaries and wages	\$ 13,103,476	\$ 595,672	\$ 349,277	\$ 5,718,848	\$ 3,480,070	\$ 1,664,886	\$ 1,875,017	\$ 26,787,246
Benefits	3,109,282	178,997	93,057	1,533,814	2,715,174	990,756	763,718	9,384,798
Professional services	239,858	9,663	-	964,544	3,549,407	1,921,700	183,113	6,868,285
Other	1,093,006	134,781	414,785	3,789,751	752,262	1,654,656	1,482,383	9,321,624
Depreciation and amortization	1,148,708	247,761	81,349	798,433	889,927	1,889,873	473,924	5,529,975
Travel, conferences, recruitment, meals and lodging	213,405	260,078	-	2,670,942	120,184	27,897	626	3,293,132
Supplies, equipment maintenance and repairs	469,719	66,183	2,389	396,244	284,416	328,695	520,603	2,068,249
Food	-	-	-	-	-	1,665,735	-	1,665,735
Interest	-	-	-	10,139	-	23,674	1,094,954	1,128,767
Insurance	12,678	-	-	86,378	-	317,006	433,530	849,592
Marketing and advertising	9,903	-	-	14,623	602,490	7,815	-	634,831
	19,400,035	1,493,135	940,857	15,983,716	12,393,930	10,492,693	6,827,868	67,532,234
Allocation of facilities, operations and maintenance	3,376,097	390,679	880,901	1,805,092	375,099	-	(6,827,868)	-
Total operating expenses	\$ 22,776,132	\$ 1,883,814	\$ 1,821,758	\$ 17,788,808	\$ 12,769,029	\$ 10,492,693	\$ -	\$ 67,532,234

See notes to consolidated financial statements

Saint Francis UniversityConsolidated Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (1,596,002)	\$ 1,297,552
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	6,557,854	5,697,571
Loss (gain) on disposal of plant assets	16,217	(552,236)
Realized and unrealized gains on investments	(5,513,203)	(4,578,092)
Private gifts restricted for long-term investment	(688,380)	(1,509,035)
Change in value of split-interest agreements	(7,868)	(11,836)
Changes in assets and liabilities:		
Accounts receivable	24,695	(488,760)
Unconditional promises to give	861,067	2,136,705
Inventory	9,289	(13,156)
Prepaid expenses and other	97,486	(184,010)
Accounts payable	(146,828)	(1,097,691)
Accrued payroll and related liabilities	149,207	(268,612)
Refundable advances and deferred summer tuition	(413,557)	1,112,073
Other accrued liabilities	(4,360)	5,915
Student deposits and prepayments	(11,082)	(26,992)
Net cash (used in) provided by operating activities	<u>(665,465)</u>	<u>1,519,396</u>
Cash Flows From Investing Activities		
Proceeds from sales of investments	17,487,121	21,966,574
Purchases of investments	(16,897,162)	(18,666,279)
Capital grants received	-	350,621
Purchases of plant assets	(1,878,027)	(12,755,248)
Purchase of property and equipment with restricted contributions	(80,936)	(284,905)
Proceeds from the sale of plant assets	268,649	824,000
Collections of student loans receivable	108,614	199,421
Net cash used in investing activities	<u>(991,741)</u>	<u>(8,365,816)</u>
Cash Flows From Financing Activities		
Payments on bonds and notes payable and finance leases	(1,558,150)	(1,626,006)
Net borrowings on lines of credit	3,880,000	5,160,000
Proceeds from contributions restricted for long-term investments	423,380	1,727,534
Payments of annuities payable	(9,797)	288
Net repayments to federal government for student loans	(119,071)	(120,284)
Net cash provided by financing activities	<u>2,616,362</u>	<u>5,141,532</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	959,156	(1,704,888)
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	<u>3,481,996</u>	<u>5,186,884</u>
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	<u>\$ 4,441,152</u>	<u>\$ 3,481,996</u>
Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Statements of Financial Position		
Cash and cash equivalents	\$ 2,463,483	\$ 1,501,402
Cash and cash equivalents included in debt service reserve fund	1,977,669	1,980,594
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 4,441,152</u>	<u>\$ 3,481,996</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest (net of capitalized interest of \$0 in 2025 and \$443,276 in 2024)	<u>\$ 1,689,603</u>	<u>\$ 689,824</u>
Supplemental Disclosure of Noncash Investing and Financing Activities		
Plant assets in accounts payable	<u>\$ -</u>	<u>\$ 851,069</u>
Asset acquired under finance lease	<u>\$ 35,300</u>	<u>140,938</u>
Assets acquired with notes payable	<u>\$ -</u>	<u>\$ 810,753</u>

See notes to consolidated financial statements

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Saint Francis University (the College) is a not-for-profit educational institution located in Loretto, Pennsylvania. The College awards grants-in-aid and scholarships from its net assets with and without donor restrictions to individuals who meet the College's academic standards. The amounts of such awards are determined primarily based upon the academic performance of each applicant. Additional financial aid is provided to students from federal and state programs in which the College participates and from monies contributed to the College by alumni and friends.

DiSepio Institute for Rural Health and Wellness (DIRHW), a separate not-for-profit organization, is a related entity which requires consolidation under Financial Accounting Standards Board (FASB) guidance. DIRHW offers a series of health promotion and rehabilitation services to the College and surrounding community, particularly those who have limited resources and are underserved. DIRHW staff and members of the College's health and behavioral sciences departments pursue clinical research, engage in clinical teaching and offer clinical services to members of the College and local communities.

On March 25, 2025, the College announced its intention to transition to National Collegiate Athletic Association (NCAA) Division III and will formally submit the application for Division III reclassification to the NCAA by February 1, 2026. Assuming the application is approved, the College will begin its Division III 2-year reclassification period on September 1, 2026 and will achieve full Division III status for the 2028-2029 academic year.

Principles of Consolidation

The consolidated financial statements include the accounts of the College and DIRHW (collectively, the University). The activities of DIRHW have been consolidated in these financial statements due to the College having a controlling interest in DIRHW through a majority voting interest in the Board. All significant intercompany balances and transactions have been eliminated in consolidation.

The University evaluated subsequent events for recognition or disclosure through November 24, 2025, the date the consolidated financial statements were available to be issued.

Basis of Presentation

The consolidated financial statements of the University have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP), including accounting standards as they relate to financial statements of not-for-profit organizations. The FASB guidance requires the reporting of total assets, liabilities and net assets in a statement of financial position; reporting the change in net assets in a statement of activities; and reporting the sources and uses of cash and cash equivalents in a statement of cash flows.

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows.

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

Net Assets With Donor Restrictions - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Accounts Receivable, Students

Allowance for Credit Losses

The University recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The University pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the University measures those receivables individually. Receivables are written off when the University determines that such receivables are deemed uncollectible.

The University utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the University evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was \$305,350 as of June 30, 2025 and 2024.

Promises to Give

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk adjusted interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. An allowance for doubtful collections is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors past collection experience and other relevant factors.

Conditional promises to give are promises for which donor-imposed conditions specify future and uncertain events whose occurrence or failure to occur release the donors from the obligation to transfer assets in the future. If and when such conditions have been substantially met, these promises cease to be conditional and revenues are recorded, as appropriate.

Donor-Restricted Gifts

All contributions are considered to be available without donor restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as gifts with donor restrictions that increase that net asset classification.

Capital Gifts to Acquire or Construct Long-Lived Assets

Capital gifts to acquire or construct long-lived assets are recorded as a donor-restricted gift until the related asset is placed in service, at which time the capital gift is released from net assets with donor restrictions to net assets without donor restrictions and subsequently amortized into operations over the estimated useful life of the acquired or constructed asset. This depreciation, which amounted to \$609,038 in 2025 and \$599,346 in 2024 is recorded as a reclassification between the nonoperating and operating sections of the change in net assets without donor restrictions in the consolidated statements of activities.

Investments

Equity securities with readily determinable fair values and debt securities are valued at fair value based on quoted market prices. Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the consolidated statements of activities.

The cost of investments received as gifts is recorded at their fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments and all income from investments, are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations, or by law.

Alternative investments, representing ownership in private equity funds are valued at the net asset value (NAV) equivalent of the underlying holdings.

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment. The fair values reported in the consolidated statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

Plant Assets

Plant assets are stated at cost, if purchased, or fair value at the date of gift, if donated, less accumulated depreciation, computed on a straight-line basis over their estimated useful lives: buildings (12-62 years); land improvements (20-40 years); furniture and equipment (2-10 years); vehicles (five years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful lives of seven years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Asset Impairment

The University accounts for long-lived assets, to be held and used, in accordance with the provisions of FASB Accounting Standards Codification No. 360, *Property, Plant and Equipment*. This standard requires that long-lived assets, to be held and used, be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of an asset, to be held and used, is measured by a comparison of the carrying amount of an asset to future cash flows expected to be generated by the asset. If such an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. There was no impairment recognized in 2025 or 2024.

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Advance From Federal Government for Student Loans

The University is a participant in the Federal Perkins Loan program, a program which makes student loans available to eligible participants. This program is funded by both the federal government and the University, with the portion estimated to be allocable to the federal government recorded as a liability in the consolidated statements of financial position, and the portion allocable to the University included in net assets without donor restrictions.

Revenue Recognition

Tuition and fees revenue is recognized in the fiscal year in which the academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fees and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on the approved University tuition and fees schedules. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fees revenue with the exception of specifically identified auxiliary and athletic awards, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon merit, the financial needs and/or athletic sport participation of each applicant.

Amounts are due for tuition, fees, room and board at the beginning of each semester. In accordance with the University's refund policies, full time undergraduate students may receive a full or partial refund until 60% of the semester has expired.

Deferred summer tuition for billed services not yet performed totaled \$2,611,629 at June 30, 2025 and consists primarily of amounts related to 2025 summer sessions. This amount will be recognized as revenue in fiscal 2026 as academic services are provided. At June 30, 2024, the University's deferred summer tuition consisted only of billed services not yet performed of \$2,622,726. This amount was recognized in full as revenue in 2025. At June 30, 2023, the University's deferred summer tuition consisted only of billed services not yet performed of \$2,246,057. This amount was recognized in full as revenue in 2024.

Student deposits and prepayments totaled \$274,615 at June 30, 2025 and represents deposits for tuition, fees and room and board and trips from currently enrolled students for the 2025-26 academic year and these will be recognized as revenue in fiscal 2026 as the performance obligation is satisfied. At June 30, 2024, the University's student deposits and prepayments were \$285,697. This amount was recognized in full as revenue in 2025. At June 30, 2023, the University's student deposits and prepayments were \$312,689. This amount was recognized in full as revenue in 2024.

Tuition and Fees, Net

Tuition and fees are presented net of grants-in-aid, scholarships, discounts and fellowships.

A discount to tuition and fees results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of tuition and fees for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Tuition and fees	\$ 72,860,965	\$ 71,087,881
Less scholarship allowances	<u>(37,509,874)</u>	<u>(35,682,741)</u>
Tuition and fees, net	<u>\$ 35,351,091</u>	<u>\$ 35,405,140</u>

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Auxiliary Enterprises, Net

Auxiliary enterprises are presented net of grants-in-aid, discounts, scholarships and fellowships.

A discount to auxiliary enterprises results when the University reduces the obligation of a student by granting financial aid. The following details the gross and net amounts of auxiliary enterprises for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Auxiliary enterprises	\$ 15,276,923	\$ 15,441,855
Less scholarship allowances	<u>(2,027,104)</u>	<u>(2,262,073)</u>
Auxiliary enterprises, net	<u>\$ 13,249,819</u>	<u>\$ 13,179,782</u>

Contributions and Grants

All contributions are considered to be available for use without restrictions unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions.

A portion of the University's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position.

Nonoperating Activities

For the purpose of the consolidated statements of activities, the University considers its change in net assets without donor restrictions to be operational changes, except for changes related to gains or losses on investments, transfers to operations to fund depreciation, transfers to operations from quasi-endowment, changes in donor intent of restricted gifts, capital grants and change in the value of split-interest agreements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately \$1,537,000 in 2025 and \$1,566,000 in 2024.

Fundraising Costs

Fundraising costs are expensed as incurred and amounted to approximately \$1,164,000 in 2025 and \$1,244,000 in 2024, and are included in institutional support in the consolidated statements of activities.

Cash Equivalents and Restricted Cash Equivalents

For the purposes of the consolidated statements of cash flows, the University considers all highly liquid investments with original maturities of three months or less (excluding certain short-term instruments which are classified as investments) to be cash equivalents.

Functional Expenses

The University allocates depreciation, interest and plant operations and maintenance costs to program and supporting activities. Depreciation is allocated based upon the purpose, program and location of each asset. Interest is allocated based upon the project or asset purpose of each loan. Plant operations and maintenance costs are allocated based upon square footages of all nonauxiliary facilities' primary uses.

Leases

The University has entered into a variety of operating and finance leases for student housing facilities, office/classroom space, copiers and other equipment. The obligations associated with these leases have been recognized as a liability in the consolidated statements of financial position based on future lease payments, discounted by the incremental borrowing rate.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position since the University has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Income Taxes

The College and DIRHW are not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes on related income pursuant to Section 501(a) of the IRC.

The University accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold in fiscal 2025 and 2024.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Title IV Requirements

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2025 and 2024 are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in the Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs.

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Accounts Receivable, Students

Accounts receivable, students represent amounts due for tuition, fees and room and board from currently enrolled and former students. The University extends unsecured credit to students and parents of dependent students in connection with their studies. Some of those students are no longer enrolled in the University.

Accounts receivable, students consist of the following at June 30:

	<u>2025</u>	<u>2024</u>
Accounts receivable	\$ 1,915,390	\$ 1,810,574
Allowance for credit losses	(305,350)	(305,350)
Net	<u>\$ 1,610,040</u>	<u>\$ 1,505,224</u>

3. Unconditional Promises to Give

Unconditional promises to give at June 30 are as follows:

	<u>2025</u>	<u>2024</u>
In one year or less	\$ 519,500	\$ 517,170
Between one year and five years	399,750	613,375
Allowance for doubtful collections	(86,858)	(106,046)
Discount	(50,669)	(70,089)
Unconditional promises to give, net	<u>\$ 781,723</u>	<u>\$ 954,410</u>

The net present value of these cash flows was determined by using risk adjusted discount rates between 2.73% and 4.33% to account for the time value of money for 2025 and 2024.

Management believes the University's allowance for doubtful collections at June 30, 2025 and 2024 is adequate based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful collections.

4. Fair Value Measurements, Investments and Other Financial Instruments

The University measures its investments and beneficial interest in remainder trust at fair value on a recurring basis in accordance with U.S. GAAP. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the University for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

The following tables present the financial instruments measured at fair value as of June 30, 2025 and 2024 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

	2025			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and cash equivalents	\$ 6,021,741	\$ -	\$ -	\$ 6,021,741
Equity mutual funds:				
Large-cap	7,472,534	-	-	7,472,534
International	12,523,011	-	-	12,523,011
Fixed income mutual funds:				
Core fixed income	4,610,272	-	-	4,610,272
Real return	1,096,740	-	-	1,096,740
Short-term	2,432,128	-	-	2,432,128
Equity securities:				
Large-cap	12,979,310	-	-	12,979,310
Small-cap	4,900,723	-	-	4,900,723
Bonds:				
U.S. government	-	1,855,213	-	1,855,213
Asset backed	-	3,482,897	-	3,482,897
U.S. corporate	-	1,606,595	-	1,606,595
Privately held stock	-	-	617,747	617,747
Total investments by valuation hierarchy	<u>\$ 52,036,459</u>	<u>\$ 6,944,705</u>	<u>\$ 617,747</u>	59,598,911
Alternative investments reported at net asset value				4,895,155
Cash surrender value of life insurance at contract value				<u>146,590</u>
Total investments				<u>\$ 64,640,656</u>

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

	2024			Total Fair Value
	Level 1	Level 2	Level 3	
Investments:				
Cash and cash equivalents	\$ 3,799,858	\$ -	\$ -	\$ 3,799,858
Equity mutual funds:				
Large-cap	7,007,134	-	-	7,007,134
International	10,797,323	-	-	10,797,323
Fixed income mutual funds:				
Core fixed income	4,539,328	-	-	4,539,328
Real return	1,102,855	-	-	1,102,855
Short-term	2,828,733	-	-	2,828,733
Equity securities:				
Large-cap	13,210,321	-	-	13,210,321
Small-cap	5,280,367	-	-	5,280,367
Bonds:				
U.S. government	-	1,681,072	-	1,681,072
Asset backed	-	3,378,536	-	3,378,536
U.S. corporate	-	1,505,524	-	1,505,524
Privately held stock	-	-	405,080	405,080
	<u>\$ 48,565,919</u>	<u>\$ 6,565,132</u>	<u>\$ 405,080</u>	55,536,131
Total investments by valuation hierarchy				
Alternative investments reported at net asset value				4,457,158
Cash surrender value of life insurance at contract value				<u>147,503</u>
Total investments				<u>\$ 60,140,792</u>

Valuation Methodologies

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at June 30, 2025 and 2024.

Cash and cash equivalents: The carrying amounts approximate fair value because of the short maturity of those financial instruments.

Investments: Mutual funds and equity securities in the investment portfolio are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. Bond obligations are valued based on quoted prices of similar assets, with similar terms, in actively traded markets and are measured using Level 2 inputs. The privately held stock was measured using Level 3 inputs utilizing an income approach.

Alternative investments: The University measures the fair value for these alternative investments based on NAV as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the fund's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The alternative investments represent investments in private equity funds that pursue multiple strategies to diversify risks and reduce volatility. The alternative investments pursue multiple strategies as follows:

- Commonfund Capital Partners VII, L.P. is a 2019 vintage, private equity fund of funds focused on delivering long-term capital appreciation and risk-adjusted net returns through equity investments. Strategic focus areas include the following: venture capital: early stage information technology; private equity: growth equity, small/middle market and leveraged buyout; global private equity ex-US: European and other non U.S. private equity and natural Resources: oil, natural gas, oilfield services, mining, power and other natural resources. The University has monies invested in this alternative investment for fiscal 2025 and 2024 with an unfunded commitment of \$156,000 at June 30, 2025 and 2024.
- LEM Multifamily Fund V, L.P. was formed in 2020 and has a term of eight years. The fund was established to generate current income and appreciation primarily through the origination of structured equity investments in multifamily real estate properties in select markets in the United States. The University has monies invested in this alternative investment for fiscal 2025 and 2024. There are no unfunded commitments at June 30, 2025 or 2024.
- GCM Grosvenor Secondary Opportunities III, L.P. is headquartered in Chicago with offices located worldwide. With approximately \$71 billion in assets under management, GCM is one of the world's largest and most diversified independent alternative asset management firms. Secondary Opportunities III was formed in June 2020, to seek to generate attractive returns by investing, either directly or indirectly, through secondary market purchases of interests and/or portfolios of interests in established private investment funds. The University has monies invested in this alternative investment for fiscal 2025 and 2024 with an unfunded commitment of \$751,730 at June 30, 2025 and \$1,163,169 at June 30, 2024.
- RCP Fund XVIII is a \$285 million, 2023 vintage buyout focused fund of funds managed by RCP Advisors. RCP is located in Chicago, Illinois. The fund will target to invest in small to mid-sized companies with approximately \$3 million to \$25 million in EBITDA. The University has monies invested in this alternative investment for fiscal 2025 and 2024 with an unfunded commitment of \$1,500,000 at June 30, 2025 and \$1,840,000 at June 30, 2024.

The preceding tables include cash surrender value of life insurance in the amount of \$146,590 and \$147,503 at June 30, 2025 and 2024, respectively, which approximates estimated fair value and which is included in investments in the consolidated statements of financial position.

There are no redemption restrictions associated with the alternative investments.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

The following summarizes the composition of investment return for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Interest and dividend income	\$ 1,615,189	\$ 1,747,825
Investment fees	(491,614)	(529,522)
Subtotal, operating activities	<u>1,123,575</u>	<u>1,218,303</u>
Realized gains on sale of investments	2,669,584	1,988,604
Unrealized gains on investments	2,843,619	2,589,488
Subtotal, nonoperating activities	<u>5,513,203</u>	<u>4,578,092</u>
Net investment return	<u>\$ 6,636,778</u>	<u>\$ 5,796,395</u>

5. Student Loans Receivable

Student loans are made with funds advanced to the University by the federal government under the Federal Perkins Loan program (the Program). The Extension Act amended Section 461 of the Higher Education Act to end the University's authority to make new Perkins Loans after June 30, 2018. The University is not required to assign the outstanding Perkins Loans to the ED or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Program, however, the University may choose to liquidate at any time in the future. As of June 30, 2025, the University continues to service the Program. In the event that the University no longer participates in the Program, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2025 and 2024 was \$87,067 and \$206,138, respectively.

The University matches and contributes one-third of the amount contributed by the U.S. government to the Program.

The prescribed practices for the Program do not provide for accrual of interest on student loans receivable or for a provision of allowance for credit losses. Accordingly, interest on loans is recorded as received; uncollectible loans are not recognized until the loans are canceled or written off in conformity with the Program requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for credit losses on loans receivable are reviewed by management, but are not material to the overall consolidated financial statements.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

6. Plant Assets, Net

The composition of plant assets was as follows at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 394,495	\$ 394,495
Land improvements	12,153,992	12,153,992
Buildings	128,981,941	128,869,458
Furniture and equipment	26,678,808	25,153,198
Equipment held under finance leases	176,238	140,938
Vehicles	1,338,529	1,338,529
Library books	5,051,356	5,051,356
Collections	837,270	837,270
Construction in progress	1,240,066	2,115,610
Total	176,852,695	176,054,846
Accumulated depreciation	<u>(90,063,890)</u>	<u>(83,714,759)</u>
Plant assets, net	<u>\$ 86,788,805</u>	<u>\$ 92,340,087</u>

Depreciation expense was approximately \$6,410,000 in 2025 and \$5,530,000 in 2024.

7. Lines of Credit

The University has a \$3,750,000 line of credit available from a bank which is due on demand. At June 30, 2025 and 2024, respectively, \$2,090,000 and \$2,300,000 were outstanding under this line of credit. Variable interest is paid monthly at prime rate (7.5% at June 30, 2025). The line of credit matures June 30, 2026 and is secured by all accounts and revenues of the University. The University has a \$4,000,000 line of credit from this same bank which is due September 9, 2026, and is secured by all accounts and revenues of the University. At June 30, 2025, \$3,950,000 was outstanding under this line of credit. Variable interest is paid monthly at secured overnight financing rate (SOFR) (6.06% at June 30, 2025).

The University also has a \$3,750,000 unsecured line of credit available from a bank which is due on demand. Amounts outstanding on this line of credit was \$3,750,000 at June 30, 2025 and \$3,610,000 at June 30, 2024. Variable interest is paid monthly at prime rate (7.5% at June 30, 2025).

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Bonds Payable

Bonds payable at June 30 are comprised of the following issues:

	<u>2025</u>	<u>2024</u>
Revenue Bonds, Series 2017 PP3 (issued through Cambria County General Financing Authority) due in varying annual installments with principal installments beginning November 2024 through November 2041; fixed interest rate ranging from 2.25% to 5%; for the purpose of financing or refinancing various facilities on the University's campus	\$ 20,865,000	\$ 21,620,000
Revenue Bonds, Series 2021 TT5 (issued through Cambria County General Financing Authority), due in varying installments with principal installments beginning April 2043; fixed interest rate ranging from 3.25% to 4.00%; for the purpose of financing or refinancing various facilities on the University's campus	<u>13,010,000</u>	<u>13,010,000</u>
	33,875,000	34,630,000
Deferred financing costs	(346,721)	(363,859)
Unamortized bond premium	<u>717,876</u>	<u>756,558</u>
Total	<u>\$ 34,246,155</u>	<u>\$ 35,022,699</u>

The aggregate future principal payments on bonds payable at June 30, 2025 is as follows:

Years ending June 30:	
2026	\$ 760,000
2027	780,000
2028	805,000
2029	835,000
2030	1,000,000
Thereafter	<u>29,695,000</u>
Total	<u>\$ 33,875,000</u>

As required by the loan agreements, the University has established debt service reserve funds. These funds are reflected in the consolidated statements of financial position as of June 30, 2025 and 2024. These funds are invested in cash and cash equivalents and are subject to Federal Deposit Insurance Corporation limits.

In connection with the issuance of these bonds, the University has agreed to certain financial covenants with which it must comply, including a rate covenant. The University was in compliance with these financial covenants at June 30, 2025.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. Notes Payable

Notes payable at June 30, 2025 and 2024 are comprised of the following:

	<u>2025</u>	<u>2024</u>
Note payable to Reliance Bank, payable in monthly installments of \$6,234, including principal and interest at 3.75% first 24 months, 4.75% next 24 months, 5.50% last 24 months; matured April 2025; unsecured	\$ -	\$ 62,198
Note payable to First National Bank, payable in monthly installments of \$9,995, including principal and interest at 4.19%; matures August 2026; secured by the equipment acquired by the borrowing	136,365	256,973
Note payable to Extreme Networks Inc., payable in annual installments of \$266,367, of principal only; matured June 2024; secured by the equipment acquired by the borrowing	-	266,367
Note payable to Autosaver Ford, Inc., payable in monthly installments of \$1,296, including principal and interest at 9.99%; matures March 2029; secured by the vehicle acquired by the borrowing	47,520	57,753
Note payable to First National Bank, payable in monthly installments of \$14,633 of principal and variable interest at banks five year cost of funds rate plus 1.35% (6.07% at June 30, 2025); matures January 2029; secured by the equipment acquired by the borrowing	<u>542,486</u>	<u>680,045</u>
Total	<u>\$ 726,371</u>	<u>\$ 1,323,336</u>

The aggregate future principal payments on notes payable at June 30, 2025, is as follows:

Years ending June 30:	
2026	\$ 272,365
2027	186,635
2028	178,096
2029	<u>89,275</u>
Total	<u>\$ 726,371</u>

Interest expense on all long-term debt was approximately \$1,676,000 and \$1,129,000 in 2025 and 2024, respectively.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

10. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30:

	<u>2025</u>	<u>2024</u>
Net investment in plant	\$ 52,063,284	\$ 55,359,815
Board-designated endowment	8,976,015	8,453,261
Undesignated	<u>(16,467,235)</u>	<u>(12,780,096)</u>
Total net assets without donor restrictions	<u>\$ 44,572,064</u>	<u>\$ 51,032,980</u>

Net assets with donor restrictions are available for the following purposes or in future periods as of June 30:

	<u>2025</u>	<u>2024</u>
Accumulated income and gains on donor-restricted endowments (Note 11)	\$ 23,144,099	\$ 19,913,609
Gifts available for scholarships and other academic purposes	5,571,827	4,280,943
Gifts for capital expenditures	-	50,619
Unconditional promises to give	<u>514,570</u>	<u>816,659</u>
Total with time or purpose restrictions	<u>29,230,496</u>	<u>25,061,830</u>
Investments to be held in perpetuity by donor stipulation or by Pennsylvania law, the income from which is generally available for services and programs (Note 11)	32,746,074	32,186,917
Unconditional promises to give, endowment	267,153	137,750
Beneficial interest in remainder trust	97,268	89,400
Restricted loan fund	<u>81,693</u>	<u>81,873</u>
Total restricted in perpetuity	<u>33,192,188</u>	<u>32,495,940</u>
Total net assets with donor restrictions	<u>\$ 62,422,684</u>	<u>\$ 57,557,770</u>

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of events specified by the donors. Net assets released from restrictions consisted of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Satisfaction of program restrictions	\$ 2,262,093	\$ 7,041,407
Appropriation from donor endowment	<u>1,787,197</u>	<u>1,764,053</u>
Total	<u>\$ 4,049,290</u>	<u>\$ 8,805,460</u>

The Board of the University has several standing board policies that affect the presentation of board designations on net assets. Bequests without donor restrictions are designated for long-term investment (Board-designated endowment). The Board-designated endowment fund balance totaled \$8,976,015 and \$8,453,261 at June 30, 2025 and 2024, respectively.

11. Endowment Funds

The University's endowment consists of approximately 200 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Trustees of the University has interpreted Pennsylvania law as requiring the 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 classified as net assets with donor restrictions (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment and (c) accumulations to the donor-restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as either net assets with donor restrictions or net assets without donor restrictions based on the existence of donor restrictions or by law.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the performance of a median balanced fund while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately 6%, net of fees, annually. 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 capital appreciation (realized and unrealized) and current yield (interest and dividends). 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.

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

Commonwealth of Pennsylvania Act 141 permits the University to allocate to income each year a portion of endowment return. The law allows not-for-profit organizations to spend a percentage of the market value of their endowment funds, including realized and unrealized gains. The percentage by law must be between 2% and 7%.

The University's policy for fiscal years 2025 and 2024 allowed for a payout of 5% of the three-year average balance as measured by the last six semi-annual balance points excluding the current period, which is based on market value net of investment management fees. 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 4.5% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Changes in endowment net assets for fiscal years ended June 30:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2025 Total</u>
Endowment net assets, beginning of year	\$ 8,453,261	\$ 52,100,526	\$ 60,553,787
Investment return, net	1,248,604	5,017,687	6,266,291
Contributions	51,000	559,157	610,157
Appropriation of endowment assets for expenditure	<u>(776,850)</u>	<u>(1,787,197)</u>	<u>(2,564,047)</u>
Endowment net assets, end of year	<u>\$ 8,976,015</u>	<u>\$ 55,890,173</u>	<u>\$ 64,866,188</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2024 Total</u>
Endowment net assets, beginning of year	\$ 10,135,529	\$ 49,915,885	\$ 60,051,414
Investment return, net	979,809	4,508,903	5,488,712
Contributions	54,500	1,594,033	1,648,533
Appropriation of endowment assets for expenditure	(870,819)	(1,764,053)	(2,634,872)
Change in donor intent of gift	2,154,242	(2,154,242)	-
Transfer out for use in operations	<u>(4,000,000)</u>	<u>-</u>	<u>(4,000,000)</u>
Endowment net assets, end of year	<u>\$ 8,453,261</u>	<u>\$ 52,100,526</u>	<u>\$ 60,553,787</u>

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law. At June 30, 2025, 5 donor-restricted funds with original gift values of \$186,065, fair values of \$180,584 and deficiencies of \$5,481 were reported in net assets with donor restrictions. At June 30, 2024, 7 donor-restricted funds with original gift values of \$201,615, fair values of \$189,995 and deficiencies of \$11,620 were reported in net assets with donor restrictions.

	Without Donor Restrictions	With Donor Restrictions		Total Funds, June 30, 2025
		Original Gift	Accumulated Gains	
Board-designated funds	\$ 8,976,015	\$ -	\$ -	\$ 8,976,015
Donor-restricted funds	-	32,746,074	23,144,099	55,890,173
Total	\$ 8,976,015	\$ 32,746,074	\$ 23,144,099	\$ 64,866,188

	Without Donor Restrictions	With Donor Restrictions		Total Funds, June 30, 2024
		Original Gift	Accumulated Gains	
Board-designated funds	\$ 8,453,261	\$ -	\$ -	\$ 8,453,261
Donor-restricted funds	-	32,186,917	19,913,609	52,100,526
Total	\$ 8,453,261	\$ 32,186,917	\$ 19,913,609	\$ 60,553,787

12. Pension Plan

The University sponsors a defined contribution pension plan. Pension expense was approximately \$556,000 and \$442,000 in 2025 and 2024, respectively. The University temporarily stopped the matching contribution in October 2023 for the remainder of the fiscal year and was restored to 50% of previous levels in October 2024.

13. Franciscan Sponsorship

The University paid full salaries to the religious faculty and staff of approximately \$539,000 and \$542,000 during the years ended June 30, 2025 and 2024, respectively.

14. Concentration of Credit Risk

The University maintains its cash accounts in commercial banks located in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation. From time to time, the bank balances will exceed this coverage.

15. Contingencies

The University participates in a Private College Consortium (the Consortium), a cooperative effort between educational institutions. The Consortium was created for the purpose of providing health and welfare benefits to participating entities; maintaining an effective employee benefit delivery structure for members; combining resources to reduce cost and to maintain and improve the quality of coverage available; and sharing information for the common good. The Consortium is governed by the Second Amended and Restated Private College & University Consortium Health and Welfare Benefits Agreement (Agreement). The Consortium and each participating entity have entered into a consulting agreement with The Reschini Group (Consultant) of Indiana, Pennsylvania for consulting and accounting services. Ameriserv Trust and Financial Services Company is the Consortium's Trustee in accordance with the Second Amended and Restated Revocable Trust Agreement (Trust Agreement). Insurance and administrative services are provided by both Highmark, Inc. (Highmark) and UPMC Health Plan (UPMC). Both are responsible for facilitating the payment of benefits for participating entities' eligible employees and their covered dependents. Agreements are renewed annually between participating entities and coverage providers. Insurance coverage for participating entities' eligible employees and their covered dependents is funded by deposit premiums into the Trust made by the participating entities, which are based on the respective entities' number of covered employees and dependents. The Consortium uses "cost plus funding", a fully insured product. Under this arrangement, the Consortium pays the claims incurred by participating entities' eligible employees and their covered dependents. The Consortium also pays the administration expenses for providing coverage. The Consortium develops deposit rates into the Trust for each participating entity on an annual basis. This calculation takes into consideration the total projected claims and administrative cost for the Consortium using the Consortium trend and both the Highmark and UPMC trends. The Consortium limits its claims exposure through the purchase of stop loss insurance, which pays 100% of the sum of all actual claim payments for covered health benefits made to a covered individual in a policy year that exceed \$450,000, with an unlimited lifetime maximum. Stop loss coverage is provided by HM Life Insurance Company. The University's share of the Consortium's trust fund surplus was approximately \$588,000 and \$563,000 at June 30, 2025 and 2024, respectively. The University's premium payments to the Consortium amounted to approximately \$4,628,000 in 2025 and \$4,511,000 in 2024. Although there is a potential refund due if the University elects to terminate participation in the Consortium, management has concluded that it would not be appropriate to record its share of the trust fund surplus in the consolidated financial statements due to the uncertainties surrounding its realization.

The University participates in the University and College Insurance Consortium (UCIC). UCIC is a self-insurance group providing workers' compensation coverage to member educational institutions. As part of the agreement with UCIC, the University is contingently liable for possible additional workers' compensation premiums. As of June 30, 2025, management does not expect any significant contingencies.

The University owns property constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the property. The University has not recognized the asset retirement obligation for asbestos removal in its consolidated financial statements because it currently has no plans to demolish or renovate this property and as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the property and sufficient information becomes available to estimate the liability it will be recognized at that time.

Saint Francis University

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

16. Liquidity and Availability of Resources

The following reflects the University's financial assets as of June 30, 2025 and 2024, reduced by amounts not available for general use within one year of that date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the Board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditures in the following year.

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents	\$ 2,463,483	\$ 1,501,402
Accounts receivable and unconditional promises to give	3,562,753	3,760,135
Investments	<u>64,640,656</u>	<u>60,140,792</u>
Financial assets at year-end	70,666,892	65,402,329
Less those unavailable for general expenditures within one year due to:		
Unconditional promises to give collectible beyond one year	(399,750)	(613,375)
Restricted gifts available for scholarships and other academic purposes	(5,571,827)	(4,280,943)
Perpetual and term endowments and accumulated earnings	(55,890,173)	(52,100,526)
Add back appropriations scheduled for next year from:		
Perpetual and term endowments and accumulated earnings	1,787,197	1,764,053
Investments in Board-designated endowments	<u>776,850</u>	<u>870,819</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,369,189</u>	<u>\$ 11,042,357</u>

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Included above are \$8,976,015 and \$8,453,261 of Board-designated investments as of June 30, 2025 and 2024, respectively, which it could use for general expenditures and unanticipated liquidity needs. To help manage unanticipated liquidity needs, the University has available lines of credit of \$1,710,000 and \$1,590,000 at June 30, 2025 and 2024, respectively, which it could draw upon (see Note 7).

17. Leases

The University has entered into the following lease arrangements:

Finance leases: The University leases exercise equipment and computer equipment. The leases generally have lease terms of three to five years.

Operating leases: The University leases a facility for office/classroom space, copiers and other equipment. The leases generally have initial lease terms of five to seven years.

Short-term leases: The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the consolidated statements of financial position since the University has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

The University makes certain assumptions and judgments in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments. The weighted-average discount rate used for the years ended June 30, 2025 and 2024 was 1.89%. The weighted-average remaining lease term was 3.50 years and 4.31 years at June 30, 2025 and 2024, respectively. Rent expense totaled approximately \$178,000 and \$191,000 for the years ended June 30, 2025 and 2024, respectively.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under operating and finance leases at June 30, 2025 are as follows:

	<u>Operating</u>	<u>Finance</u>
Years ending June 30:		
2026	\$ 139,860	\$ 46,789
2027	139,860	46,789
2028	139,860	34,332
2029	<u>104,895</u>	<u>11,444</u>
Total	524,475	139,354
Less amount representing interest	<u>(18,539)</u>	<u>(15,203)</u>
Present value of net minimum lease payments	<u>\$ 505,936</u>	<u>\$ 124,151</u>

18. Related-Party Transactions

Contributions made by management and members of the Board of Trustees of the University totaled approximately \$410,000 and \$702,000 for the years ended June 30, 2025 and 2024, respectively. Outstanding unconditional promises to give from management and members of the Board of Trustees of the University totaled approximately \$60,000 and \$128,000 at June 30, 2025 and 2024, respectively.