

Saint Francis University

Consolidated Financial Statements
and Supplementary Information

June 30, 2022 and 2021

Saint Francis University

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June 30, 2022 and 2021

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Independent Auditors' Report

To the Board of Trustees of
Saint Francis University and Affiliate

Opinion

We have audited the consolidated financial statements of Saint Francis University and Affiliate (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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, 2022 and 2021, 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 consolidated 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The financial responsibility supplemental schedule on page 32, as required by Title 34 CFR Section 668.172, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

State College, Pennsylvania
October 24, 2022

Saint Francis University

Consolidated Statements of Financial Position June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------------------------------------|-----------------------|-----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,364,337 | \$ 5,653,728 |
| Accounts receivable: | | |
| Students, net | 1,342,096 | 1,423,723 |
| Government agencies | 496,862 | 417,065 |
| Other | 304,165 | 1,046,764 |
| Unconditional promises to give, net | 1,365,083 | 368,362 |
| Inventory | 274,353 | 255,011 |
| Prepaid expenses and other | 1,087,199 | 1,074,970 |
| Investments | 58,285,585 | 63,611,835 |
| Student loans receivable | 776,835 | 849,394 |
| Debt service reserve fund | 2,783,186 | 2,780,836 |
| Bond project fund | 7,272,935 | - |
| Beneficial interest in remainder trust | 67,355 | 77,876 |
| Cash and cash equivalents restricted for purchase of plant assets | 4,075,190 | 2,095,584 |
| Right-of-use assets | 1,025,464 | 1,090,932 |
| Plant assets, net | 77,069,331 | 70,670,333 |
| | <u>\$ 157,589,976</u> | <u>\$ 151,416,413</u> |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 1,311,944 | \$ 1,138,504 |
| Construction accounts payable | 1,428,701 | 1,209,261 |
| Accrued payroll and related liabilities | 2,907,945 | 2,780,365 |
| Refundable advances | 836,366 | 326,897 |
| Deferred summer tuition | 2,580,923 | 2,716,661 |
| Other accrued liabilities | 313,104 | 139,204 |
| Student deposits and prepayments | 600,104 | 337,012 |
| Bonds payable | 36,684,873 | 24,514,449 |
| Notes payable | 880,097 | 5,200,410 |
| Operating lease obligations | 1,025,464 | 1,090,932 |
| Finance lease obligations | 61,979 | 98,728 |
| Annuities payable | 48,563 | 54,470 |
| Advance from federal government for student loans | 673,286 | 792,853 |
| | <u>49,353,349</u> | <u>40,399,746</u> |
| Net Assets | | |
| Without donor restrictions | 51,746,051 | 49,695,636 |
| With donor restrictions | 56,490,576 | 61,321,031 |
| | <u>108,236,627</u> | <u>111,016,667</u> |
| | <u>\$ 157,589,976</u> | <u>\$ 151,416,413</u> |

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities

Year Ended June 30, 2022

(With Comparative Totals for 2021)

| | 2022 | | 2021 | |
|----------------------------------------------------|----------------------------------|-------------------------------|----------------|----------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Total |
| Operating Revenues | | | | |
| Tuition and fees, net | \$ 37,738,921 | \$ - | \$ 37,738,921 | \$ 39,798,637 |
| Federal grants and contracts | 1,324,344 | 4,445,965 | 5,770,309 | 4,235,505 |
| State and local grants | 564,479 | - | 564,479 | 1,009,999 |
| Private gifts, grants and bequests | 2,526,399 | 6,780,547 | 9,306,946 | 6,025,597 |
| Interest and dividends, net | 490,526 | 1,343,797 | 1,834,323 | 561,253 |
| Other income | 4,336,394 | - | 4,336,394 | 2,214,141 |
| Auxiliary enterprises, net | 13,498,261 | - | 13,498,261 | 12,694,541 |
| Transfer from nonoperating to fund depreciation | 719,757 | - | 719,757 | 719,757 |
| Net assets released from restrictions: | | | | |
| Satisfaction of program restrictions | 8,764,774 | (8,764,774) | - | - |
| Appropriation from donor endowment | 2,352,679 | (2,352,679) | - | - |
| | 72,316,534 | 1,452,856 | 73,769,390 | 67,259,430 |
| Operating Expenses | | | | |
| Educational and general: | | | | |
| Program expenses: | | | | |
| Instructional | 22,721,988 | - | 22,721,988 | 22,174,793 |
| Research and public service | 2,161,234 | - | 2,161,234 | 2,310,174 |
| Academic support | 1,906,878 | - | 1,906,878 | 1,837,087 |
| Student services | 16,051,700 | - | 16,051,700 | 13,360,778 |
| Student aid | 2,076,033 | - | 2,076,033 | 735,140 |
| Institutional support | 13,963,064 | - | 13,963,064 | 12,808,733 |
| | 58,880,897 | - | 58,880,897 | 53,226,705 |
| Auxiliary enterprises | 10,508,013 | - | 10,508,013 | 10,078,091 |
| | 69,388,910 | - | 69,388,910 | 63,304,796 |
| Change in net assets from operating activities | 2,927,624 | 1,452,856 | 4,380,480 | 3,954,634 |
| Nonoperating Activities | | | | |
| Realized and unrealized (loss) gain on investments | (1,657,452) | (6,272,790) | (7,930,242) | 12,961,212 |
| Capital grants, state | 1,500,000 | - | 1,500,000 | - |
| Transfer to operations to fund depreciation | (719,757) | - | (719,757) | (719,757) |
| Change in value of split-interest agreements | - | (10,521) | (10,521) | 21,019 |
| | (877,209) | (6,283,311) | (7,160,520) | 12,262,474 |
| Change in net assets | 2,050,415 | (4,830,455) | (2,780,040) | 16,217,108 |
| Net Assets, Beginning | 49,695,636 | 61,321,031 | 111,016,667 | 94,799,559 |
| Net Assets, Ending | \$ 51,746,051 | \$ 56,490,576 | \$ 108,236,627 | \$ 111,016,667 |

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Activities
Year Ended June 30, 2021

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------------------|-------------------------------------------|----------------------------------------|-----------------------|
| Operating Revenues | | | |
| Tuition and fees, net | \$ 39,798,637 | \$ - | \$ 39,798,637 |
| Federal grants and contracts | 1,764,787 | 2,470,718 | 4,235,505 |
| State and local grants | 1,009,999 | - | 1,009,999 |
| Private gifts, grants and bequests | 1,184,600 | 4,840,997 | 6,025,597 |
| Interest and dividends, net | 175,477 | 385,776 | 561,253 |
| Other income | 2,214,141 | - | 2,214,141 |
| Auxiliary enterprises, net | 12,694,541 | - | 12,694,541 |
| Transfer from nonoperating to fund depreciation | 719,757 | - | 719,757 |
| Net assets released from restrictions: | | | |
| Satisfaction of program restrictions | 4,657,755 | (4,657,755) | - |
| Appropriation from donor endowment | 2,127,373 | (2,127,373) | - |
| Total operating revenues | 66,347,067 | 912,363 | 67,259,430 |
| Operating Expenses | | | |
| Educational and general: | | | |
| Program expenses: | | | |
| Instructional | 22,174,793 | - | 22,174,793 |
| Research and public service | 2,310,174 | - | 2,310,174 |
| Academic support | 1,837,087 | - | 1,837,087 |
| Student services | 13,360,778 | - | 13,360,778 |
| Student aid | 735,140 | - | 735,140 |
| Institutional support | 12,808,733 | - | 12,808,733 |
| Total educational and general | 53,226,705 | - | 53,226,705 |
| Auxiliary enterprises | 10,078,091 | - | 10,078,091 |
| Total operating expenses | 63,304,796 | - | 63,304,796 |
| Change in net assets from operating activities | 3,042,271 | 912,363 | 3,954,634 |
| Nonoperating Activities | | | |
| Realized and unrealized gain on investments | 2,513,409 | 10,447,803 | 12,961,212 |
| Transfer to operations to fund depreciation | (719,757) | - | (719,757) |
| Change in value of split-interest agreements | - | 21,019 | 21,019 |
| Change in net assets from nonoperating activities | 1,793,652 | 10,468,822 | 12,262,474 |
| Change in net assets | 4,835,923 | 11,381,185 | 16,217,108 |
| Net Assets, Beginning | 44,859,713 | 49,939,846 | 94,799,559 |
| Net Assets, Ending | \$ 49,695,636 | \$ 61,321,031 | \$ 111,016,667 |

See notes to consolidated financial statements

Saint Francis University

 Consolidated Statement of Functional Expenses
 Year Ended June 30, 2022

| | Program Expenses | | | | | | Auxiliary Enterprises | Facilities, Operations and Maintenance | Total |
|---------------------------------------------------------|----------------------|-----------------------------------|---------------------|----------------------|---------------------|--------------------------|--------------------------|-------------------------------------------------|----------------------|
| | Instructional | Research and Public Service | Academic Support | Student Services | Student Aid | Institutional Support | | | |
| Operating Expenses | | | | | | | | | |
| Compensation: | | | | | | | | | |
| Salaries and wages | \$ 12,998,336 | \$ 868,119 | \$ 430,175 | \$ 5,586,831 | \$ - | \$ 3,349,774 | \$ 1,778,721 | \$ 1,863,664 | \$ 26,875,620 |
| Benefits | 3,707,170 | 283,312 | 143,107 | 1,733,717 | - | 3,265,837 | 1,125,552 | 901,149 | 11,159,844 |
| Professional services | 213,006 | 71,559 | - | 612,907 | - | 3,737,415 | 1,636,069 | 195,090 | 6,466,046 |
| Other | 621,221 | 214,579 | 386,804 | 2,337,329 | - | 1,734,586 | 956,010 | 202,636 | 6,453,165 |
| Depreciation and amortization | 1,011,948 | 149,338 | 47,703 | 709,032 | - | 278,591 | 2,088,272 | 549,587 | 4,834,471 |
| Travel, conferences, recruitment, meals and lodging | 278,911 | 113,979 | - | 2,459,355 | - | 187,931 | 19,533 | 333 | 3,060,042 |
| Supplies, equipment maintenance and repairs | 581,392 | 61,828 | 4,333 | 576,396 | - | 369,665 | 289,475 | 567,845 | 2,450,934 |
| Student Emergency Assistance Fund (HEERF) | - | - | - | - | 2,076,033 | - | - | - | 2,076,033 |
| Utilities | 137,953 | 1,695 | - | 46,301 | - | 154,992 | 648,981 | 750,828 | 1,740,750 |
| Food | - | - | - | - | - | - | 1,608,758 | - | 1,608,758 |
| Interest | - | - | - | 21,661 | - | - | 74,321 | 1,306,379 | 1,402,361 |
| Insurance | 451 | - | - | 97,236 | - | - | 271,675 | 331,528 | 700,890 |
| Marketing and advertising | 8,626 | - | - | 37,450 | - | 503,274 | 10,646 | - | 559,996 |
| | 19,559,014 | 1,764,409 | 1,012,122 | 14,218,215 | 2,076,033 | 13,582,065 | 10,508,013 | 6,669,039 | 69,388,910 |
| Allocation of facilities, operations and maintenance | 3,162,974 | 396,825 | 894,756 | 1,833,485 | - | 380,999 | - | (6,669,039) | - |
| Total operating expenses | \$ 22,721,988 | \$ 2,161,234 | \$ 1,906,878 | \$ 16,051,700 | \$ 2,076,033 | \$ 13,963,064 | \$ 10,508,013 | \$ - | \$ 69,388,910 |

See notes to consolidated financial statements

Saint Francis University

Consolidated Statement of Functional Expenses

Year Ended June 30, 2021

| | Program Expenses | | | | | | Auxiliary Enterprises | Facilities, Operations and Maintenance | Total |
|---------------------------------------------------------|----------------------|-----------------------------------|---------------------|----------------------|-------------------|--------------------------|--------------------------|-------------------------------------------------|----------------------|
| | Instructional | Research and Public Service | Academic Support | Student Services | Student Aid | Institutional Support | | | |
| Operating Expenses | | | | | | | | | |
| Compensation: | | | | | | | | | |
| Salaries and wages | \$ 13,430,844 | \$ 1,190,420 | \$ 445,614 | \$ 5,474,756 | \$ - | \$ 3,264,358 | \$ 1,888,445 | \$ 1,837,086 | \$ 27,531,523 |
| Benefits | 3,321,241 | 359,655 | 121,171 | 1,484,285 | - | 2,649,658 | 1,096,829 | 814,815 | 9,847,654 |
| Professional services | 278,483 | - | - | 311,230 | - | 3,786,929 | 1,545,112 | 125,678 | 6,047,432 |
| Other | 579,348 | 135,649 | 368,330 | 1,950,415 | - | 1,503,091 | 828,309 | 44,258 | 5,409,400 |
| Depreciation and amortization | 1,092,281 | 109,415 | 81,348 | 704,904 | - | 193,811 | 2,063,276 | 511,452 | 4,756,487 |
| Supplies, equipment maintenance and repairs | 493,660 | 103,739 | 3,894 | 483,632 | - | 296,440 | 331,828 | 621,022 | 2,334,215 |
| Utilities | 7,957 | 2,345 | - | 42,019 | - | 180,522 | 623,588 | 797,030 | 1,653,461 |
| Food | - | - | - | - | - | - | 1,354,333 | - | 1,354,333 |
| Travel, conferences, recruitment, meals and lodging | 72,423 | 46,731 | - | 970,536 | - | 104,188 | 15,534 | 325 | 1,209,737 |
| Interest on indebtedness | - | - | - | 52,971 | - | 3,314 | 69,662 | 1,038,523 | 1,164,470 |
| Student Emergency Assistance Fund (HEERF) | - | - | - | - | 735,140 | - | - | - | 735,140 |
| Insurance | 716 | - | - | 102,226 | - | - | 254,115 | 297,278 | 654,335 |
| Marketing and advertising | 10,693 | - | - | 110,208 | - | 478,648 | 7,060 | - | 606,609 |
| | <u>19,287,646</u> | <u>1,947,954</u> | <u>1,020,357</u> | <u>11,687,182</u> | <u>735,140</u> | <u>12,460,959</u> | <u>10,078,091</u> | <u>6,087,467</u> | <u>63,304,796</u> |
| Allocation of facilities, operations and maintenance | <u>2,887,147</u> | <u>362,220</u> | <u>816,730</u> | <u>1,673,596</u> | <u>-</u> | <u>347,774</u> | <u>-</u> | <u>(6,087,467)</u> | <u>-</u> |
| Total operating expenses | <u>\$ 22,174,793</u> | <u>\$ 2,310,174</u> | <u>\$ 1,837,087</u> | <u>\$ 13,360,778</u> | <u>\$ 735,140</u> | <u>\$ 12,808,733</u> | <u>\$ 10,078,091</u> | <u>\$ -</u> | <u>\$ 63,304,796</u> |

See notes to consolidated financial statements

Saint Francis University

 Consolidated Statements of Cash Flows
 Years Ended June 30, 2022 and 2021

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (2,780,040) | \$ 16,217,108 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 4,886,316 | 4,745,728 |
| Loss (gain) on disposal of plant assets | 32,512 | (42,449) |
| Realized and unrealized loss (gain) on investments | 7,930,242 | (12,961,212) |
| Private gifts restricted for long-term investment | (906,447) | (2,611,188) |
| Private gifts restricted for purchase of property and equipment | (1,979,606) | (758,693) |
| Change in value of split-interest agreements | 10,521 | (21,019) |
| Changes in assets and liabilities: | | |
| Accounts receivable | 744,429 | (191,352) |
| Unconditional promises to give | (90,274) | 4,024,361 |
| Inventory | (19,342) | 30,678 |
| Prepaid expenses and other | (12,229) | (125,557) |
| Accounts payable | 173,440 | 133,915 |
| Accrued payroll and related liabilities | 127,580 | (272,878) |
| Refundable advances | 373,731 | (446,039) |
| Other accrued liabilities | 173,900 | (2,896) |
| Student deposits and prepayments | 263,092 | (981,453) |
| Net cash provided by operating activities | <u>8,927,825</u> | <u>6,737,054</u> |
| Cash Flows From Investing Activities | | |
| Proceeds from sales of investments | 9,950,040 | 20,653,322 |
| Purchases of investments | (14,361,291) | (24,007,304) |
| Capital grants received | 1,500,000 | - |
| Purchases of plant assets | (10,168,886) | (2,999,478) |
| Purchase of property and equipment with restricted contributions | (2,374,606) | (758,693) |
| Payments on student loans receivable | 72,559 | 117,436 |
| Net cash used in investing activities | <u>(15,382,184)</u> | <u>(6,994,717)</u> |
| Cash Flows From Financing Activities | | |
| Payments on bonds and notes payable and finance leases | (5,242,530) | (1,098,773) |
| Proceeds from issuance of bonds payable | 13,197,366 | - |
| Payments of deferring financing costs | (196,368) | - |
| Proceeds from contributions restricted for long-term investments | 1,807,259 | 4,240,919 |
| Proceeds from contributions restricted for purchase of property and equipment | 1,979,606 | 758,693 |
| Payments of annuity obligations | (5,907) | (24,425) |
| Net repayments to federal government for student loans | (119,567) | (99,918) |
| Net cash provided by in financing activities | <u>11,419,859</u> | <u>3,776,496</u> |
| Net change in cash and cash equivalents and restricted cash and cash equivalents | 4,965,500 | 3,518,833 |
| Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning | <u>10,530,148</u> | <u>7,011,315</u> |
| Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending | <u>\$ 15,495,648</u> | <u>\$ 10,530,148</u> |
| Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to Consolidated Statements of Financial Position | | |
| Cash and cash equivalents | \$ 1,364,337 | \$ 5,653,728 |
| Cash and cash equivalents restricted for purchase of property and equipment | 4,075,190 | 2,095,584 |
| Cash and cash equivalents included in bond project fund | 7,272,935 | - |
| Cash and cash equivalents included in debt service reserve fund | 2,783,186 | 2,780,836 |
| Total cash and cash equivalents and restricted cash and cash equivalents | <u>\$ 15,495,648</u> | <u>\$ 10,530,148</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid for interest | <u>\$ 1,250,432</u> | <u>\$ 1,168,444</u> |
| Supplemental Disclosure of Noncash Investing and Financing Activities | | |
| Plant assets in accounts payable | <u>\$ 1,428,701</u> | <u>\$ 1,209,261</u> |
| Asset acquired under finance lease | <u>\$ -</u> | <u>\$ 38,399</u> |
| Asset acquired under operating lease | <u>\$ -</u> | <u>\$ 1,090,932</u> |
| Assets acquired with notes payable | <u>\$ -</u> | <u>\$ 325,000</u> |

See notes to consolidated financial statements

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.

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 October 24, 2022, 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, 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

Accounts receivable, students are reported at net realizable value. Accounts receivable, students are not collateralized. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts.

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 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. When a donor restriction expires, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 \$719,757 in 2022 and 2021, respectively, 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 (5 years). Library books are stated at cost and are depreciated on a straight-line basis over an estimated useful lives of 7 years. Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

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 \$2,580,923 at June 30, 2022 and consists primarily of amounts related to 2022 summer sessions. This amount will be recognized as revenue in fiscal 2023 as academic services are provided. In 2021, the University's deferred summer tuition consisted only of billed services not yet performed of \$2,716,661. This amount was recognized in full as revenue in 2022.

Student deposits and prepayments totaled \$600,104 at June 30, 2022 and represents deposits for tuition, fees and room and board and trips from currently enrolled students for the 2022-23 academic year and these will be recognized as revenue in fiscal 2023 as the performance obligation is satisfied. At June 30, 2021, the University's student deposits and prepayments were \$337,012. This amount was recognized in full as revenue in 2022.

Saint Francis University

Notes to Consolidated Financial Statements

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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>2022</u> | <u>2021</u> |
|-----------------------------|----------------------|----------------------|
| Tuition and fees | \$ 71,745,799 | \$ 71,115,131 |
| Less scholarship allowances | <u>(34,006,878)</u> | <u>(31,316,494)</u> |
| Tuition and fees, net | <u>\$ 37,738,921</u> | <u>\$ 39,798,637</u> |

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>2022</u> | <u>2021</u> |
|-----------------------------|----------------------|----------------------|
| Auxiliary enterprises | \$ 15,708,308 | \$ 14,431,373 |
| Less scholarship allowances | <u>(2,210,047)</u> | <u>(1,736,832)</u> |
| Auxiliary enterprises, net | <u>\$ 13,498,261</u> | <u>\$ 12,694,541</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. When a donor restriction expires, donor-restricted net assets are reclassified as net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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 discount rate which approximates current market rates. Amortization of the discount is included in contribution revenue.

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.

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.

Saint Francis University

Notes to Consolidated Financial Statements

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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, capital grants and change in the value of split-interest agreements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to approximately \$1,769,000 in 2022 and \$1,839,000 in 2021.

Fund-Raising Costs

Fund-raising costs are expensed as incurred and amounted to approximately \$1,213,000 in 2022 and \$1,048,000 in 2021 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 considered 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 2022 and 2021.

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, 2022 and 2021 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.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

New Accounting Standard Adopted

During September 2020, the FASB issued Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. Contributed nonfinancial assets for the years ended June 30, 2022 and 2021 were not material.

New Accounting Standard Not Yet Adopted

During June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of the reported amount. Since 2016, the FASB issued several amendments to ASU No. 2016-13 providing clarification of the requirements and effective date. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. The University is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its consolidated financial statements.

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Notes to Consolidated Financial Statements
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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>2022</u> | <u>2021</u> |
|---------------------------------|---------------------|---------------------|
| Accounts receivable | \$ 1,678,846 | \$ 1,837,223 |
| Allowance for doubtful accounts | (336,750) | (413,500) |
| Net | <u>\$ 1,342,096</u> | <u>\$ 1,423,723</u> |

3. Unconditional Promises to Give

Unconditional promises to give at June 30 are as follows:

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|---------------------|-------------------|
| In one year or less | \$ 695,460 | \$ 191,667 |
| Between one year and five years | 906,750 | 232,075 |
| Allowance for doubtful collections | (151,676) | (40,929) |
| Discount | (85,451) | (14,451) |
| Unconditional promises to give, net | <u>\$ 1,365,083</u> | <u>\$ 368,362</u> |

The net present value of these cash flows was determined by using risk adjusted discount rates between 3.01% and 0.29% to account for the time value of money for 2022 and 2021.

Management believes the University's allowance for doubtful collections at June 30, 2022 and 2021 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 accounting principles generally accepted in the United States of America. 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.

Saint Francis University

Notes to Consolidated Financial Statements

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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.

The following tables present the financial instruments measured at fair value as of June 30, 2022 and 2021 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

| | 2022 | | | Total Fair Value |
|----------------------------------------------------------|----------------------|---------------------|----------------|-----------------------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments: | | | | |
| Cash and cash equivalents | \$ 3,382,595 | \$ - | \$ - | \$ 3,382,595 |
| Equity mutual funds: | | | | |
| Large-cap | 7,630,675 | - | - | 7,630,675 |
| International | 7,631,885 | - | - | 7,631,885 |
| Fixed income mutual funds: | | | | |
| Core fixed income | 3,341,820 | - | - | 3,341,820 |
| Real return | 2,374,338 | - | - | 2,374,338 |
| Short-term | 5,271,016 | - | - | 5,271,016 |
| Inflation protected | 969,380 | - | - | 969,380 |
| International | 1,996,283 | - | - | 1,996,283 |
| Equity securities: | | | | |
| Large-cap | 11,690,759 | - | - | 11,690,759 |
| Small-cap | 4,846,036 | - | - | 4,846,036 |
| Bonds: | | | | |
| U.S. government | - | 1,202,578 | - | 1,202,578 |
| Asset backed | - | 1,570,470 | - | 1,570,470 |
| U.S. corporate | - | 1,611,763 | - | 1,611,763 |
| Total investments by valuation hierarchy | <u>\$ 49,134,787</u> | <u>\$ 4,384,811</u> | <u>\$ -</u> | 53,519,598 |
| Alternative investments reported at net asset value | | | | 4,625,594 |
| Cash surrender value of life insurance at contract value | | | | <u>140,393</u> |
| Total investments | | | | <u>\$ 58,285,585</u> |

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

| | 2021 | | | |
|----------------------------------------------------------|----------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Investments: | | | | |
| Cash and cash equivalents | \$ 3,661,100 | \$ - | \$ - | \$ 3,661,100 |
| Equity mutual funds: | | | | |
| Large-cap | 7,861,385 | - | - | 7,861,385 |
| International | 9,186,050 | - | - | 9,186,050 |
| Fixed income mutual funds: | | | | |
| Core fixed income | 3,752,888 | - | - | 3,752,888 |
| Real return | 2,350,830 | - | - | 2,350,830 |
| Short-term | 5,524,707 | - | - | 5,524,707 |
| Inflation protected | 1,020,725 | - | - | 1,020,725 |
| International | 2,569,630 | - | - | 2,569,630 |
| Equity securities: | | | | |
| Large-cap | 13,869,114 | - | - | 13,869,114 |
| Small-cap | 5,966,664 | - | - | 5,966,664 |
| Bonds: | | | | |
| U.S. government | - | 1,278,853 | - | 1,278,853 |
| Asset backed | - | 1,593,637 | - | 1,593,637 |
| U.S. corporate | - | 2,074,832 | - | 2,074,832 |
| | <u>\$ 55,763,093</u> | <u>\$ 4,947,322</u> | <u>\$ -</u> | 60,710,415 |
| Total investments by valuation hierarchy | | | | |
| Alternative investments reported at net asset value | | | | 2,763,112 |
| Cash surrender value of life insurance at contract value | | | | <u>138,308</u> |
| Total investments | | | | <u>\$ 63,611,835</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, 2022 and 2021.

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.

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 2022 and 2021 with an unfunded commitment of \$465,000 at June 30, 2022 and \$840,000 at June 30, 2021.
- 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 2022 and 2021 with an unfunded commitment of \$600,000 at June 30, 2021. There are no unfunded commitments at June 30, 2022.
- 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 2022 with an unfunded commitment of \$1,708,392 at June 30, 2022.

The preceding tables include cash surrender value of life insurance in the amount of \$140,393 and \$138,308 at June 30, 2022 and 2021, 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.

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Notes to Consolidated Financial Statements
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The following summarizes the composition of investment return (loss) for the years ended June 30:

| | <u>2022</u> | <u>2021</u> |
|------------------------------------------|-----------------------|----------------------|
| Interest and dividend income | \$ 2,359,640 | \$ 956,113 |
| Investment fees | <u>(525,317)</u> | <u>(394,860)</u> |
| Subtotal, operating activities | <u>1,834,323</u> | <u>561,253</u> |
| Realized gains on sale of investments | 1,527,968 | 3,744,538 |
| Unrealized (losses) gains on investments | <u>(9,458,210)</u> | <u>9,216,674</u> |
| Subtotal, nonoperating activities | <u>(7,930,242)</u> | <u>12,961,212</u> |
| Net investment (loss) return | <u>\$ (6,095,919)</u> | <u>\$ 13,522,465</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, 2022, 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, 2022 and 2021 was \$673,286 and \$792,853, 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 doubtful loans. 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 losses on loans receivable are reviewed by management, but are not material to the overall consolidated financial statements.

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Notes to Consolidated Financial Statements
June 30, 2022 and 2021

6. Plant Assets, Net

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

| | <u>2022</u> | <u>2021</u> |
|-------------------------------------|----------------------|----------------------|
| Land | \$ 425,714 | \$ 380,284 |
| Land improvements | 11,755,479 | 11,520,230 |
| Buildings | 104,693,630 | 101,573,127 |
| Furniture and equipment | 23,080,536 | 18,537,314 |
| Equipment held under finance leases | 171,685 | 171,685 |
| Vehicles | 1,160,929 | 1,132,140 |
| Library books | 5,051,356 | 5,051,356 |
| Collections | 342,895 | 342,895 |
| Construction in progress | 5,781,196 | 2,928,636 |
| | <u>152,463,420</u> | <u>141,637,667</u> |
| Total | 152,463,420 | 141,637,667 |
| Accumulated depreciation | <u>(75,394,089)</u> | <u>(70,967,334)</u> |
| Plant assets, net | <u>\$ 77,069,331</u> | <u>\$ 70,670,333</u> |

Depreciation expense was approximately \$4,834,000 in 2022 and \$4,756,000 in 2021.

Outstanding contract commitments on projects ongoing at June 30, 2022 was approximately \$900,000.

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, 2022 and 2021, no amounts were outstanding under this line of credit. Variable interest is paid monthly at prime rate (4.75% at June 30, 2022). The line of credit matures June 30, 2023 and is secured by all accounts and revenues of the University.

The University also has a \$3,750,000 unsecured line of credit available from a bank which is due on demand. There were no borrowings outstanding at June 30, 2022 and 2021. Variable interest is paid monthly at prime rate (4.75% at June 30, 2022).

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. Bonds Payable

Bonds payable at June 30, 2022 and 2021 are comprised of the following issues:

| | <u>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Revenue Bonds, Series 2012 LL2 (issued through Pennsylvania Higher Educational Facilities Authority), due in varying annual installments through November 2023; fixed interest rate ranging from 2% to 3.25%; for the purpose of financing or refinancing various facilities on the University's campus | \$ 1,645,000 | \$ 2,465,000 |
| Revenue Bonds, Series 2017 PP3 (issued through Cambria County General Financing Authority) due in varying annual 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 | 21,620,000 | 21,620,000 |
| Revenue Bonds, Series 2021 TT5 (issued through Cambria County General Financing Authority), due in varying 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>-</u> |
| | 36,275,000 | 24,085,000 |
| Deferred financing costs | (424,048) | (253,000) |
| Unamortized bond premium | <u>833,921</u> | <u>682,449</u> |
| Total | <u>\$ 36,684,873</u> | <u>\$ 24,514,449</u> |

The aggregate future principal payments on bonds payable at June 30, 2022 is as follows:

| | |
|-----------------------|----------------------|
| Years ending June 30: | |
| 2023 | \$ 845,000 |
| 2024 | 800,000 |
| 2025 | 755,000 |
| 2026 | 760,000 |
| 2027 | 780,000 |
| Thereafter | <u>32,335,000</u> |
| Total | <u>\$ 36,275,000</u> |

As required by the loan agreements, the University has established bond project and debt service reserve funds. These funds are reflected in the consolidated statements of financial position as of June 30, 2022 and 2021. 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, 2022.

Saint Francis University

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. Notes Payable

Notes payable at June 30, 2022 and 2021 are comprised of the following:

| | <u>2022</u> | <u>2021</u> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------|
| Note payable to First National Bank, payable in monthly installments of \$9,297, including principal and interest at 1.89%; matures May 2024; secured by vehicles | \$ 209,755 | \$ 316,197 |
| Note payable to First National Bank, payable in monthly installments of \$736, including principal and interest at 4.23%; matures November 2023; secured by the equipment acquired by the borrowing | 12,108 | 20,227 |
| 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; matures April 2025; unsecured | 200,981 | 265,903 |
| \$725,000 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 | 457,253 | 555,470 |
| Notes repaid during the year ended June 30, 2022 | - | 4,042,613 |
| Total | <u>\$ 880,097</u> | <u>\$ 5,200,410</u> |

The aggregate future principal payments on notes payable at June 30, 2022, is as follows:

| | |
|-----------------------|-------------------|
| Years ending June 30: | |
| 2023 | \$ 287,425 |
| 2024 | 282,638 |
| 2025 | 173,695 |
| 2026 | 116,390 |
| 2027 | 19,949 |
| Total | <u>\$ 880,097</u> |

Interest expense on all long-term debt was approximately \$1,402,000 and \$1,164,000 in 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements
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10. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|---------------------------------------|----------------------|----------------------|
| Net investment in plant | \$ 34,348,364 | \$ 37,981,350 |
| Board-designated endowment | 9,868,553 | 11,027,003 |
| Undesignated | <u>7,529,134</u> | <u>687,283</u> |
| Total net assets without restrictions | <u>\$ 51,746,051</u> | <u>\$ 49,695,636</u> |

Net assets with donor restrictions are available for the following purposes or in future periods as of June 30, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|----------------------|
| Accumulated income and gains on donor-restricted endowments (Note 11) | \$ 15,547,115 | \$ 22,828,788 |
| Gifts available for scholarships and other academic purposes | 4,159,457 | 5,386,061 |
| Gifts for capital expenditures | 4,075,190 | 2,095,584 |
| Unconditional promises to give | <u>1,130,102</u> | <u>327,813</u> |
| Total with time or purpose restrictions | <u>24,911,864</u> | <u>30,638,246</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) | 31,196,783 | 30,485,446 |
| Unconditional promises to give, endowment | 234,981 | 40,550 |
| Beneficial interest in remainder trust | 67,355 | 77,876 |
| Restricted loan fund | <u>79,593</u> | <u>78,913</u> |
| Total restricted in perpetuity | <u>31,578,712</u> | <u>30,682,785</u> |
| Total net assets with restrictions | <u>\$ 56,490,576</u> | <u>\$ 61,321,031</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, 2022 and 2021:

| | <u>2022</u> | <u>2021</u> |
|--------------------------------------|----------------------|---------------------|
| Satisfaction of program restrictions | \$ 8,764,774 | \$ 4,657,755 |
| Appropriation from donor endowment | <u>2,352,679</u> | <u>2,127,373</u> |
| Total | <u>\$ 11,117,453</u> | <u>\$ 6,785,128</u> |

During the course of the year, net assets whose use by the University was subject to donor-imposed restrictions were fulfilled by actions of the University pursuant to those restrictions, the expiration of time or the designation of law. These assets are shown in the consolidated statements of activities as a release of net assets from donor restrictions.

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 \$9,868,553 and \$11,027,003 at June 30, 2022 and 2021, 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 accounting principles generally accepted in the United States of America, 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.

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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%. As a result of the COVID-19 pandemic, the Commonwealth of Pennsylvania enacted Act 71 on July 23, 2020, which allows the Board of Trustees to select a spend percentage of not more than 10% per year. This increased percentage only applies during calendar years 2020, 2021 and 2022, or for an entity's fiscal year that ends during those calendar years.

The University's policy for fiscal years 2022 and 2021 allowed for a payout of 7%, respectively, 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:

| | Without Donor Restrictions | With Donor Restrictions | 2022 Total |
|------------------------------------------------------|---------------------------------------|------------------------------------|-----------------------|
| Endowment net assets, beginning of year | \$ 11,027,003 | \$ 53,314,234 | \$ 64,341,237 |
| Investment return, net | (1,260,184) | (4,928,993) | (6,189,177) |
| Contributions | 450,000 | 711,336 | 1,161,336 |
| Transfers into Board-designated endowment | 900,000 | - | 900,000 |
| Appropriation of endowment assets for expenditure | (1,248,266) | (2,352,679) | (3,600,945) |
| Endowment net assets, end of year | <u>\$ 9,868,553</u> | <u>\$ 46,743,898</u> | <u>\$ 56,612,451</u> |
| | Without Donor Restrictions | With Donor Restrictions | 2021 Total |
| Endowment net assets, beginning of year | \$ 8,151,314 | \$ 41,897,276 | \$ 50,048,590 |
| Investment return, net | 2,542,942 | 10,847,434 | 13,390,376 |
| Contributions | 598,345 | 2,696,897 | 3,295,242 |
| Transfers into Board-designated endowment | 874,290 | - | 874,290 |
| Appropriation of endowment assets for expenditure | (1,139,888) | (2,127,373) | (3,267,261) |
| Endowment net assets, end of year | <u>\$ 11,027,003</u> | <u>\$ 53,314,234</u> | <u>\$ 64,341,237</u> |

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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, 2022, 26 donor-restricted funds with original gift values of \$2,328,615, fair values of \$2,170,666 and deficiencies of \$157,949 were reported in net assets with donor restrictions. At June 30, 2021, there were no deficiencies reported in net assets with donor restrictions. Management has interpreted state law to permit prudent spending from underwater endowments.

| | Without Donor Restrictions | With Donor Restrictions | | Total Funds, June 30, 2022 |
|------------------------|----------------------------------|-------------------------|------------------------------|----------------------------------|
| | | Original Gift | Accumulated Gain (Losses) | |
| Board-designated funds | \$ 9,868,553 | \$ - | \$ - | \$ 9,868,553 |
| Donor-restricted funds | - | 31,196,783 | 15,547,115 | 46,743,898 |
| Total | \$ 9,868,553 | \$ 31,196,783 | \$ 15,547,115 | \$ 56,612,451 |

| | Without Donor Restrictions | With Donor Restrictions | | Total Funds, June 30, 2021 |
|------------------------|----------------------------------|-------------------------|------------------------------|----------------------------------|
| | | Original Gift | Accumulated Gain (Losses) | |
| Board-designated funds | \$ 11,027,003 | \$ - | \$ - | \$ 11,027,003 |
| Donor-restricted funds | - | 30,485,446 | 22,828,788 | 53,314,234 |
| Total | \$ 11,027,003 | \$ 30,485,446 | \$ 22,828,788 | \$ 64,341,237 |

12. Pension Plan

The University sponsors a defined contribution pension plan. Pension expense was approximately \$1,671,000 and \$1,086,000 in 2022 and 2021, respectively.

13. Franciscan Sponsorship

The University paid full salaries to the religious faculty and staff of approximately \$591,000 and \$689,000 during the years ended June 30, 2022 and 2021, 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 \$769,000 and \$558,000 at June 30, 2022 and 2021, respectively. The University's premium payments to the Consortium amounted to approximately \$4,663,000 in 2022 and \$4,217,000 in 2021. 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 this potential refund 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, 2022, 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.

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Notes to Consolidated Financial Statements
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16. Liquidity and Availability of Resources

The following reflects the University's financial assets as of June 30, 2022 and 2021, 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>2022</u> | <u>2021</u> |
|----------------------------------------------------------------------------------------|---------------------|---------------------|
| Financial assets: | | |
| Cash and cash equivalents | \$ 5,439,527 | \$ 7,749,312 |
| Accounts receivable and unconditional promises to give | 3,508,206 | 3,255,914 |
| Investments | <u>58,285,585</u> | <u>63,611,835</u> |
| Financial assets at year-end | 67,233,318 | 74,617,061 |
| Less those unavailable for general expenditures within one year due to: | | |
| Unconditional promises to give collectible beyond one year | (906,750) | (232,075) |
| Restricted cash available for property and equipment not scheduled to be spent | (2,554,013) | (600,584) |
| Restricted gifts available for scholarships and other academic purposes | (4,159,457) | (5,386,061) |
| Board-designated endowments | (9,868,553) | (11,027,003) |
| Perpetual and term endowments and accumulated earnings | (46,743,898) | (53,314,234) |
| Add back appropriations scheduled for next year from: | | |
| Perpetual and term endowments and accumulated earnings | 2,352,679 | 2,127,373 |
| Investments in Board-designated endowments | <u>1,248,266</u> | <u>1,139,888</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 6,601,592</u> | <u>\$ 7,324,365</u> |

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Including the \$9,868,553 and \$11,027,003 of Board-designated investments as of June 30, 2022 and 2021, respectively, which it could use, the University had \$16,470,145 and \$18,351,368 available for general expenditures and unanticipated liquidity needs as of June 30, 2022 and 2021, respectively. To help manage unanticipated liquidity needs, the University has two available lines of credit each in the amount of \$3,750,000 and \$3,750,000, which it could draw upon (see Note 7).

17. Coronavirus (COVID-19) and Emergency Relief Funding

In response to the COVID-19 pandemic, the United States Congress passed various acts to provide budgetary relief to higher education institutions through the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF).

Approximately \$14.25 billion was allotted to the HEERF I under the Coronavirus Aid, Relief and Economics Security (CARES) Act. Each institution received one grant comprised of two parts, student relief aid and institutional aid. The College was awarded \$1,409,610 of this funding under the CARES Act, with \$704,805 each for the student relief aid and institutional aid portions. The College's funding under both student relief aid and institutional aid portions of the CARES Act were fully spent and recognized as of June 30, 2021.

The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) provided budgetary relief to higher education institutions. In total the CRRSAA sets aside approximately \$22.9 billion of the \$82 billion allotted to the Education Stabilization Fund through the HEERF II. Each institution received one grant comprised of two parts. The University received \$2,214,219 of HEERF II funding on January 17, 2021 comprised of \$704,805 of student relief funds and \$1,509,414 of institutional support. For the year ended June 30, 2021, \$633,250 of the student relief portion of the grant was expended and revenue recognized as federal grants and contracts revenue and student aid expense and \$1,091,451 of the institutional portion of the grant was recognized as federal grants and contracts revenue. The balance of the student portion of \$71,555 was recognized as federal grants and contracts revenue and student aid expense during the year ended June 30, 2022. The balance of the institutional portion of \$417,963 was recognized as federal grants and contracts revenue during the year ended June 30, 2022. As restrictions were met in the same period, these grants were reported as changes in net assets without donor restrictions.

The American Rescue Plan (ARP) provided budgetary relief to higher education institutions. In total the ARP sets aside approximately \$39.6 billion of the \$122 allotted to the Education Stabilization Fund through the HEERF III. Under ARP, institutions received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. The University was awarded \$3,956,447 on May 24, 2022. For the year ended June 30, 2021, the University did not recognize any revenue or expense related to this grant. For the year ended June 30, 2022, the entire award was expended with \$2,004,086 of student relief expended and revenue recognized as federal grants and contracts revenue and student aid expense and the balance of institutional portion of the grant of \$1,952,361 was expended and recognized as federal grants and contracts revenue.

18. Leases

The University has entered into the following lease arrangements:

Finance leases: The University leases exercise equipment and computers and related equipment. The leases generally have lease terms of four 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 four 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.

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, 2022 and 2021 was 1.89%. The weighted average remaining lease term was 5.96 years and 7 years at June 30, 2022 and 2021, respectively. Rent expense totaled approximately \$90,000 and \$55,000 for the years ended June 30, 2022 and 2021, respectively.

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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, 2022 are as follows:

| | <u>Operating</u> | <u>Finance</u> |
|---------------------------------------------|---------------------|------------------|
| Years ending June 30: | | |
| 2023 | \$ 195,057 | \$ 39,016 |
| 2024 | 191,030 | 24,310 |
| 2025 | 177,803 | - |
| 2026 | 139,860 | - |
| 2027 | 139,860 | - |
| Thereafter | 244,755 | - |
| Total | 1,088,365 | 63,326 |
| Less amount representing interest | <u>(62,901)</u> | <u>(1,347)</u> |
| Present value of net minimum lease payments | <u>\$ 1,025,464</u> | <u>\$ 61,979</u> |

19. ED Financial Responsibility

The ED revised the regulations for financial responsibility effective July 1, 2019. The regulations require the University provide additional disclosures, including a financial responsibility supplemental schedule, to assist the ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the consolidated financial statement line or note that contains the element.

Note 6 provides information on the University's plant assets, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of plant assets, net, at June 30, 2022 based on the July 1, 2019 implementation date.

| | |
|-------------------------------------------------------------------------|----------------------|
| Pre-implementation: | |
| Plant assets, net | <u>\$ 54,906,402</u> |
| Post-implementation: | |
| Plant assets, net, with outstanding debt for original purchase | <u>2,559,132</u> |
| Plant assets, net, without outstanding debt for original purchase | 13,822,601 |
| Construction in progress | <u>5,781,196</u> |
| Total plant assets, net, without outstanding debt for original purchase | <u>19,603,797</u> |
| Total plant assets, net, at June 30, 2022 | <u>\$ 77,069,331</u> |

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Notes 8 and 9 provide information on the University's bonds and notes payable but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of bonds and notes payable in addition to \$61,979 of finance leases for long-term purposes and offset by \$7,275,935 of bond project fund asset at June 30, 2022 based on the July 1, 2019 implementation date.

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Pre-implementation: | |
| Bonds and notes payable for long-term purposes | \$ 26,315,862 |
| Post-implementation: | |
| Bonds and notes payable for long-term purposes, fully offset by bond project fund restricted for capital projects in future years (therefore not reflected in the supplemental schedule) | <u>3,628,279</u> |
| Total bonds and notes payable at June 30, 2022 | <u>\$ 29,944,141</u> |

20. Related-Party Transactions

Contributions made by noncompensated members of the Board of Trustees of the University totaled approximately \$1,174,000 and \$220,000 for the years ended June 30, 2022 and 2021, respectively. Outstanding unconditional promises to give from members of the Board of Trustees of the University totaled approximately \$525,000 and \$39,000 at June 30, 2022 and 2021, respectively. There are no other unsecured or secured related-party receivables at June 30, 2022 and 2021.

Saint Francis University

 Financial Responsibility Supplemental Schedule
 Year Ended June 30, 2022

Financial Statement and Line Name or Note Location
Primary Reserve Ratio

| | | Expendable Net Assets | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------|----------------|
| Statement of Financial Position | | Net assets without donor restrictions | \$ 51,746,051 |
| Statement of Financial Position | | Net assets with donor restrictions | 56,490,576 |
| Note 10 | | Net assets with donor restrictions - restricted in perpetuity | 31,578,712 |
| Note 10 | | Net assets with donor restrictions - time or purpose | 24,911,864 |
| Note 19 | | Plant assets - pre-implementation | 54,906,402 |
| Note 19 | | Plant assets - post-implementation with outstanding debt for original purchase | 2,559,132 |
| Note 19 | | Plant assets - post-implementation without outstanding debt for original purchase | 13,822,601 |
| Statement of Financial Position | | Construction in progress | 5,781,196 |
| Statement of Financial Position | | Total plant assets, net (including CIP) | 77,069,331 |
| Statement of Financial Position | | Lease right-of-use assets, net | 1,025,464 |
| Statement of Financial Position - Long-term debt, net | | Long-term debt for long-term purposes | |
| Note 19 | | Long-term debt for long-term purposes - pre-implementation | 26,315,862 |
| Note 19 | | Long-term debt for long-term purposes - post implementation | 3,628,279 |
| Statement of Financial Position | | Lease right-of-use asset liability | 1,025,464 |
| | | Total Expenses and Losses Without Donor Restrictions | |
| Statement of Activities | | Total expenses without donor restrictions | \$ 69,388,910 |
| Statement of Activities - transfer to operations to fund depreciation, realized and unrealized loss on investments and change in value of split interest agreements | | Nonoperating and net investment (loss) | 2,377,209 |
| | | Equity Ratio | |
| | | Modified Net Assets | |
| Statement of Financial Position | | Net assets without donor restrictions | \$ 51,746,051 |
| Statement of Financial Position | | Net assets with donor restrictions | 56,490,576 |
| | | Modified Assets | |
| Statement of Financial Position | | Total assets | \$ 157,589,976 |
| | | Net Income Ratio | |
| Statement of Activities | | Change in Net Assets Without Donor Restrictions | \$ 2,050,415 |
| | | Total Revenues and Gains Without Donor Restrictions | |
| Statement of Activities | | Total operating revenue and other additions (gains) | \$ 72,316,534 |
| Note 11 | | Endowment return, designated for operations | 1,248,266 |
| Statement of Activities/Note 11 - realized and unrealized gain on investments, net of endowment return, designated for operations | | Nonoperating revenue and other gains | 2,748,266 |