Report of Independent Auditors and
Consolidated Financial Statements

University of San Francisco

May 31, 2019 and 2018

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Report of Independent Auditors

To the Board of Trustees
University of San Francisco

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the University of San Francisco (the "University"), which comprise the consolidated statements of financial position as of May 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University of San Francisco as of May 31, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements the University adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of the standard resulted in additional footnote disclosures and significant changes to the classification of net assets and the disclosures related to net assets. The ASU has been applied retrospectively to all periods presented with the exception of the omission of certain information as permitted by the ASU. Our opinion is not modified with respect to this matter.

Also as discussed in Note 1 to the consolidated financial statements, the University adopted *Topic 606 – Revenue from Contracts with Customers* using the modified retrospective method applied to all contracts. Our opinion is not modified with respect to this matter.

Moss Adams LLP

San Francisco, California
September 27, 2019

Consolidated Financial Statements

University of San Francisco
Consolidated Statements of Financial Position
May 31, 2019 and 2018
(In thousands)

	2019	2018
ASSETS		
Cash and cash equivalents	$ 78,798	$ 64,814
Receivables		
Student accounts, net	3,938	3,005
Contributions, net	37,621	43,403
Student loans, net	7,274	9,080
Other	13,999	17,034
Assets limited to use	130,617	-
Investments	437,713	452,406
Beneficial interest in trusts	10,769	11,317
Prepaid expenses and other assets	7,444	8,317
Property, plant, and equipment, net	491,192	452,313
Total assets	$ 1,219,365	$ 1,061,689
LIABILITIES		
Accounts payable and accrued liabilities	$ 53,200	$ 52,539
Contract liability - student deposits	21,095	21,853
Deferred revenue	11,249	7,525
Liability under split-interest agreements	2,279	1,936
Liability under interest rate swap agreements	12,514	10,156
Bonds payable, net	261,666	105,832
Notes payable, net	47,817	49,301
Federal student loan funds refundable	9,879	9,860
Total liabilities	419,699	259,002
NET ASSETS		
Net assets - without donor restrictions	460,804	454,439
Net assets - with donor restrictions	338,862	348,248
Total net assets	799,666	802,687
Total liabilities and net assets	$ 1,219,365	$ 1,061,689

See accompanying notes.

(In thousands)

	Net Assets - Without Donor Restrictions	Net Assets - With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Student tuition and fees, net	$ 293,763	$ -	$ 293,763
Auxiliary revenue - residence and dining fees	34,983	-	34,983
Grants and contracts	7,040	-	7,040
Investment income, net	3,455	1,720	5,175
Contributions	13,693	9,407	23,100
Net realized and unrealized gain (loss) on investments	1,468	(1,610)	(142)
Change in value of split-interest agreements	-	33	33
Change in value of interest rate swap agreements	(2,358)	-	(2,358)
Auxiliary revenue - other	6,766	-	6,766
Other	8,091	-	8,091
Net assets released from restrictions	18,936	(18,936)	-
Total revenues and other support	385,837	(9,386)	376,451
EXPENSES			
Instruction	180,048	-	180,048
Research	2,863	-	2,863
Public service	3,129	-	3,129
Academic support	36,857	-	36,857
Student services	53,807	-	53,807
Institutional support	66,561	-	66,561
Auxiliary enterprises	36,207	-	36,207
Total expenses	379,472	-	379,472
CHANGE IN NET ASSETS	6,365	(9,386)	(3,021)
NET ASSETS, beginning of year	454,439	348,248	802,687
NET ASSETS, end of year	$ 460,804	$ 338,862	$ 799,666

University of San Francisco
Consolidated Statements of Activities and Changes in Net Assets
Year Ended May 31, 2018
(In thousands)

	Net Assets - Without Donor Restrictions	Net Assets - With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Student tuition and fees, net	$ 300,737	$ -	$ 300,737
Auxiliary revenue - residence and dining fees	34,348	-	34,348
Grants and contracts	4,831	-	4,831
Investment income, net	2,678	1,564	4,242
Contributions	12,549	23,723	36,272
Net realized and unrealized gain on investments	15,038	39,422	54,460
Change in value of split-interest agreements	-	1,391	1,391
Change in value of interest rate swap agreements	4,340	-	4,340
Auxiliary revenue - other	9,534	-	9,534
Other	6,116	-	6,116
Net assets released from restrictions	16,629	(16,629)	-
Total revenues and other support	406,800	49,471	456,271
EXPENSES			
Instruction	184,048	-	184,048
Research	2,828	-	2,828
Public service	2,724	-	2,724
Academic support	36,585	-	36,585
Student services	53,342	-	53,342
Institutional support	63,893	-	63,893
Auxiliary enterprises	35,982	-	35,982
Total expenses	379,402	-	379,402
CHANGE IN NET ASSETS	27,398	49,471	76,869
NET ASSETS, beginning of year	427,041	298,777	725,818
NET ASSETS, end of year	$ 454,439	$ 348,248	$ 802,687

See accompanying notes.

(In thousands)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (3,021)	$ 76,869
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	22,021	22,506
Accretion of asset retirement obligation liability	22	(52)
Amortization of bond issuance costs	167	497
Amortization of lease intangibles	75	89
Provision for bad debt	378	308
Change in discount on contribution receivable	(307)	1,234
Forgiveness of employee notes	53	44
Net realized and unrealized loss (gain) on investments	142	(54,460)
Change in value of split-interest agreements	(33)	(1,391)
Change in value of interest rate swap agreements	2,358	(4,340)
Loss on disposal of assets	404	642
Loss on advanced refunding of debt	2,633	4,009
Contributions restricted for investment in endowment and plant	(7,791)	(6,526)
Distributions of interest in trusts	685	1,897
Changes in:		
Student accounts receivable	(1,414)	331
Contributions receivable	6,307	(14,167)
Other receivables	3,504	(1,548)
Prepaid expenses and other assets	798	(1,462)
Accounts payable and accrued liabilities	639	3,365
Liability under split-interest agreements	532	516
Contract liability - student deposits	(758)	38
Deferred revenue	3,724	(1,344)
Net cash provided by operating activities	31,118	27,055
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(61,304)	(45,707)
Proceeds from disposal of assets	-	113
Proceeds from sale of investments	300,456	228,388
Purchases of investments	(287,653)	(234,217)
Issuance of student loans	(92)	(1,244)
Student loan repayments	1,783	1,677
Issuance of employee notes	(872)	(225)
Employee notes repayments	350	260
Net cash used in investing activities	(47,332)	(50,955)

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(In thousands)

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	2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	-	26,800
Proceeds from issuance of bonds payable	190,950	-
Advanced refunding of debt	(32,950)	(26,820)
Payments on bonds payable	(4,950)	(4,835)
Payments on notes payable	(1,500)	(1,500)
Increase in assets limited to use from bond financing	(129,162)	-
Contributions restricted for investment in endowment and plant	7,791	6,526
Net change in federal student loan funds refundable	19	(958)
Net cash provided by (used in) financing activities	30,198	(787)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,984	(24,687)
CASH AND CASH EQUIVALENTS, beginning of year	64,814	89,501
CASH AND CASH EQUIVALENTS, end of year	$ 78,798	$ 64,814
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION		
Interest paid, net of interest capitalized of $2,555 and $0 for 2019 and 2018, respectively	$ 6,358	$ 7,122
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Additions to property, plant, and equipment included in accounts payable and accrued liabilities	$ 1,086	$ 1,901

See accompanying notes.

NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization – The University of San Francisco was founded by the Society of Jesus in 1855. The University is committed to the highest standards of learning and scholarship in the American, Catholic, and Jesuit traditions. The University balances its primary commitment to the liberal arts and sciences with its dedication to education for the professions.

On August 1, 2017, the University of San Francisco purchased real property and certain business assets. The purchase included acquisition of a sole proprietary organic farm business, growing and selling agricultural products, known as Star Route Farms. Star Route Farms was incorporated on June 20, 2017, as Star Route Farms, LLC ("Star Route Farms"). The University of San Francisco is sole member of Star Route Farms and manages its operating activity. Star Route Farms' financial information has been consolidated with the University of San Francisco (collectively referred to as the "University").

Basis of accounting – During 2019, the University adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* ("ASU 2016-14"). This guidance is intended to improve the net asset classification requirements and the information presented in the consolidated financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; recognition of capital gifts for construction as a net asset without donor restrictions when the associated long-lived asset is place in service; recognition of underwater endowment funds as a reduction in net assets with donor restrictions; and reporting investment income net of external and direct internal investment expenses. The guidance also enhances disclosures for board designated amounts, compositions of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative and quantitative information about the liquidity and availability of financial assets to meet general expenditures within one year of the statement of financial position date, and expenses by both their natural and functional classification, including methods used to allocate costs among program and support functions and underwater endowments.

Due to the adoption of ASU 2016-14, as of May 31, 2018, $454,439,000 of unrestricted net assets have been reclassified to net assets without donor restrictions, and $162,991,000 of temporarily restricted net assets and $185,257,000 of permanently restricted net assets have been reclassified to net assets with donor restrictions.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), which include the principles of not-for-profit accounting as defined by the FASB. The accounting principles require that revenues within the appropriate net asset category and that classification of net assets and associated revenues, gains, and losses be divided into two categories, based on the existence or absence of externally imposed restrictions. Accordingly, net assets of the University are classified and defined as follows:

> *Without donor restrictions* – include resources that are not subject to donor-imposed stipulations and are available to support the University's operating activities. Without donor restrictions include resources with donor restrictions that become available for use by the University in accordance with the intentions of the donors. Funds without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or by management.

With donor restrictions – is defined as that portion of net assets which is subject to donor-imposed restrictions. Some donor-imposed restrictions will expire with the passage of time or be fulfilled and removed by actions of the University pursuant to those stipulations. Other donor-imposed restrictions will neither expire with the passage of time nor can be fulfilled or otherwise removed by actions of the University. The earnings from these investments are primarily available to support activities of the University as designated by the donor.

Principles of consolidation – The consolidated financial statements include all the accounts of the University of San Francisco and Star Route Farms. All significant intercompany transactions and balances have been eliminated in consolidation.

Cash and cash equivalents – Cash and cash equivalents include cash on deposit, money market funds, fixed-income securities with a maturity of three months or less, and variable rate demand notes that have a put feature that allows the University to put the notes back to the issuer on the daily interest reset date. The University holds cash and cash equivalents at several major financial institutions that, during the course of the year, may exceed the amounts insured by the Federal Depository Insurance Corporation ("FDIC").

Student accounts receivable – Student accounts receivable are amounts due from students primarily for tuition and fees and are stated at the amount billed to students less applied scholarships and loan proceeds. The University offers several payment plans that allow students to defer payment for a nominal fee. Late fees are charged on delinquent accounts. The University records an allowance for doubtful student accounts receivable that is based on various factors, such as historical collection information and existing economic conditions. Delinquent accounts are written off based on evaluation of the student's specific circumstances. Student accounts receivable totaled $5,369,000 and $4,403,000 as of May 31, 2019 and 2018, respectively. Student accounts receivable allowance for bad debt is estimated as $1,431,000 and $1,398,000 as of May 31, 2019 and 2018, respectively.

Student loans receivable – Student loans receivable are primarily amounts loaned to students under the Federal Perkins Loan Program, Nursing Student Loans, and the Nursing Faculty Loan Program and are stated at their outstanding principal amount. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University records an allowance for doubtful student loans receivable based on historical collection information and existing economic conditions.

As of October 1, 2017, under Federal law, all institutions of higher education, including the University, may no longer award new Perkins loans to undergraduate students and may not make subsequent disbursements to undergraduate students after June 30, 2018. Concurrently, as of July 1, 2017, all institutions of higher education, including the University, may not disburse Perkins loans to graduate students. The University has been notified that the Federal government will begin collecting the Federal share of the University's Perkins loan revolving funds sometime thereafter.

Other receivables – Other receivables consist of federal direct loans that were disbursed to students but have not been received from the U.S. Department of Education, grants receivable, rent receivable, employee notes receivable, and other miscellaneous receivables. The University believes these amounts are fully collectible. The most significant portion of other receivables is the federal direct loan amount, totaling $9,974,000 and $11,792,000 as of May 31, 2019 and 2018, respectively.

Assets limited to use – Assets limited to use include bond proceeds restricted to finance the acquisition, construction, and equipping of certain facilities of the University. As of May 31, 2019 and 2018, assets limited to use were $130,617,000 and $0, respectively, and were invested in fixed-income funds and securities.

Investments – Investments are stated at fair value and represent a diversified portfolio of equity and fixed-income investments, equity funds, private capital, real asset funds, hedge funds, and real estate. Investments received through gifts are recorded at fair value on the date of donation.

The University is subject to accounting principles that define fair value, establish a framework for measuring fair value, and prescribe disclosures about fair value measurements. The accounting principles also establish a hierarchical disclosure framework, which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices will generally have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the University's perceived risk of that investment. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date. This category includes active exchange-traded money market funds, fixed income investments, equity securities, and short-term investments.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date. Level 2 values have been determined by management of the University utilizing observable data that is readily available, regularly updated, reliable and verifiable, not proprietary, and provided by sources that are actively involved in the relevant market. This category includes fixed income investments and variable rate demand notes. Fair values for these investments are estimated by the University using valuation methodologies that consider a range of factors, including, but not limited to, trading values on public exchanges for comparable securities and interest rates.

Level 3 – Pricing inputs are unobservable and include situations where there is little, if any, market activity for the investment. Level 3 values have been estimated by management of the University in the absence of readily ascertainable market values. Fair values for these investments are estimated by the University using valuation methodologies that consider a range of factors, including, but not limited to, the price at which the investment was acquired, the nature of the investment, local market conditions, independent appraisals, trading values on public exchanges for comparable securities, current and projected operating performance, financial condition, and financing transactions subsequent to the acquisition of the investment. The inputs into the determination of fair value require significant judgment by the University. Due to the inherent uncertainty of these estimates, these values may differ materially from the values that would have been used had a ready market for these investments existed.

The real estate investments are stated at estimated fair value and are independently appraised once per year by an external appraiser. Each property is fully appraised every three years with exterior-only inspection appraisals in the interim years. The University's management annually reviews these independent appraisals. The appraisals use a sales comparison approach, which compares recent transactions to the appraised property and takes into consideration such factors as location, condition, and quality. Adjustments are made for dissimilarities, which typically provide a range of values. Significant building renovations and improvements that extend the useful life of or improve the assets are capitalized. Expenditures for ordinary maintenance and repairs are charged to expense as incurred.

A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment.

The University uses the net asset value ("NAV") as a practical expedient to determine the fair value of all investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The majority of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using NAV reported by fund managers as a practical expedient. Such assets are not classified in the fair value hierarchy.

In determining the reasonableness of the methodology, finance and investment staff under the supervision of the Vice President for Business and Finance evaluate a variety of factors including review of economic conditions, individual investment managers, and developments within the industries. Policies and procedures are reassessed at least annually, or as new assets are acquired, to determine if the current valuation techniques are still appropriate. At that time, the unobservable inputs used in the fair value measurements are evaluated and adjusted as necessary based on current market conditions and other third-party information.

Beneficial interest in trusts and split-interest gifts – The University has an irrevocable remainder beneficiary interest in charitable remainder trusts and charitable gift annuities the maturities of which are based on the life expectancies of the income beneficiaries or a specified term of years. Trusts and annuities in which the University is both trustee and remainder beneficiary are recorded at the fair value of the assets in the trusts. The corresponding liability for certain future amounts due to beneficiaries is recorded at the present value of the annuity payments. The present value discount rate used for all trusts and annuities was an average of 3.01% and 2.99% at May 31, 2019 and 2018, respectively.

As of May 31, 2019 and 2018, investments in marketable securities include $5,171,000 and $4,413,000, respectively, in assets held by the University, as trustee, on which investment income is paid to designated beneficiaries until death, at which time the assets may be used by the University as designated by the donor. Liabilities to such beneficiaries of $2,279,000 and $1,936,000 are included in liability under split-interest agreements as of May 31, 2019 and 2018, respectively.

Trusts for which the University does not act as trustee are recorded at the present value of the assets to be received in the future. The present value discount used for all trusts and annuities was an average of 4.23% and 4.28% at May 31, 2019 and 2018, respectively. The University holds a beneficial interest in trusts where the University is not the trustee, amounting to $10,769,000 and $11,317,000 as of May 31, 2019 and 2018, respectively. Beneficial interest in trusts and split-interest gifts are valued under the income approach calculated using a discounted cash flow analysis based on the expected cash flows over the remaining life of each respective beneficial interest, utilizing a risk-free rate adjusted for the inherent risk of the assets held and the risk of nonperformance. The primary unobservable inputs for beneficial interests in split-interest gifts are the applicable discount rates that range from 1.60% to 6.20% and applicable life expectancies.

Collections – The University's collections are made up of rare books, artwork, and artifacts of historical significance that are held for educational, research, and curatorial purposes. The collections, which have been acquired through purchases and contributions since the University's inception, are not recognized as assets in the accompanying consolidated statements of financial position.

Property, plant, and equipment – Purchased assets are recorded at cost. Donated assets are recorded at fair value or appraised value on the date of donation. The carrying value of all long-lived assets is evaluated periodically to determine whether adjustment to the useful life or to the undepreciated balance is warranted. The cost of major improvements in excess of $100,000, purchases of depreciable items in excess of $5,000, software purchases exceeding $50,000, and certain computer equipment are capitalized.

Upon acquisition of a property, the University estimates the fair value of acquired tangible assets (consisting of land, buildings, and improvements), and intangible assets and liabilities (consisting of above and below market leases and origination value of all in-place leases). The University determines fair values using replacement cost, estimated cash-flow projections and other valuation techniques, and applying appropriate discount and capitalization rates based on available market information.

Depreciation is recorded on the straight-line basis using the following useful lives:

Buildings and improvements	10–50 years
Furniture and equipment	3–10 years
Leases	Lease term
Library books	20–50 years
Tenant improvements	Shorter of lease term or useful life

Medical benefits – The University is self-insured for one of its employee medical plans up to a stop-loss limit of $150,000 per individual as of May 31, 2019 and 2018, and a 125% aggregate excess. As of May 31, 2019 and 2018, an estimated liability for payment of incurred and unpaid claims of $1,133,000 and $1,431,000, respectively, is included in accrued liabilities in the accompanying consolidated statements of financial position.

Workers' compensation – The University insures its workers' compensation benefits through a third-party insurer with a high deductible policy that contains a $250,000 per claim deductible. As of May 31, 2019 and 2018, an estimate of uninsured losses of $655,000 and $627,000, respectively, is included in accrued liabilities in the accompanying consolidated statements of financial position.

Multiemployer pension plans – The University contributes to a multiemployer defined benefit pension plan under the terms of a collective bargaining agreement, which expires September 30, 2021, that covers certain union-represented employees. The University's collective bargaining agreement does not require that a minimum contribution be made to these plans. For the years ended May 31, 2019 and 2018, the University contributed to the union trust and charged to expense $674,000 and $616,000, respectively.

The risks of participating in multiemployer pension plans are different from single employer pension plans in the following aspects:

a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.

b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

c. If the University stops participating in its multiemployer pension plan, the University may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The University's participation in this plan for the year ended May 31, 2019, is outlined in the table below. All information in the table is as of May 31, of the relevant year. The "EIN-PN" column provides the Employer Identification Number ("EIN") and the Plan Number ("PN"). The most recent Pension Protection Act zone status available in 2019 and 2018 is for the plan years ended December 31, 2018 and 2017, respectively. The zone status is based on information that the University received from the plan. Among other factors, generally, plans in critical status ("yellow zone" or "orange zone") are less than 80% funded, and plans at least 80% funded are said to be in the "green zone." The "FIP/RP status pending/implemented" column indicates plans for which a funding improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented by the trustees of each plan. Information related to the impact of utilization of extended amortization periods on zone status is either not available or not obtainable without undue cost and effort. There have been no significant changes that affect the comparability of 2019 and 2018 contributions.

		Pension Protection Act Zone Status		Are the University's Contributions More than 5% of Total Plan Contributions?		FIP/RP Status Pending/ Implemented
Pension Fund	EIN-PN	2019	2018	2019	2018	
I. U. O. E. Stationary Engineers Local 39 Pension Plan	94-6118939 - Plan 001	Green	Green	No	No	N/A

Asset retirement obligation – Asset retirement obligations include environmental obligations associated with the retirement of long-lived assets. These liabilities are recorded at fair value when incurred and are capitalized by increasing the carrying amount of the associated long lived asset. Over-time, the liability is accreted to its present value each period and the capitalized cost is depreciated on a straight-line basis through the estimated date of retirement. The liability is removed when the obligation is settled.

Derivative financial instruments – Derivative financial instruments are used by the University on a limited basis to manage interest rate risk associated with its tax-exempt bonds. Derivative financial instruments are recorded at their fair value in the liabilities section in the accompanying consolidated statements of financial position (disclosed in Note 8). Changes in the underlying value of derivative financial instruments are recorded in change in value of interest rate swap agreements in the accompanying consolidated statements of activities and changes in net assets. The University does not enter into derivative contracts for the purpose of speculation.

Contract liability - student deposits – Contract liability of $21,095,000 and $21,853,000 as of May 31, 2019 and 2018, respectively represents performance obligations associated with payments received from students for each academic year's summer term that began in mid-May and ends in July. The contract liability is recognized ratably as revenue over the summer term.

Deferred revenue – Deferred revenue consists primarily of unearned grant amounts received in advance and in excess of incurred expenditures.

Federal student loan funds refundable – Funds provided by the U.S. government under the Federal Perkins Loan Program, Nursing Student Loans, and the Nursing Faculty Loan Program are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the government and are, therefore, recorded as a liability in the accompanying consolidated statements of financial position.

Fair value of financial instruments – The fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e., the exit price). Investments are reflected in the accompanying consolidated statements of financial position at their fair value as required under generally accepted accounting principles and as discussed above.

Revenues and other support – During 2019, the University adopted FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). The amendments in ASU 2014-09 affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., insurance contracts or lease contracts). This ASU superseded the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance, and created a *Topic 606 Revenue from Contracts with Customers*. The University is using the modified retrospective method applied to all contracts. Revenue for the 2018-19 fiscal year are presented under Accounting Standards Codification ("ASC") Topic 606. The comparative information has not been restated and continues to be reported under the accounting standards in effect in those reporting periods.

During 2019, the University adopted FASB ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), which clarifies and improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations. Updates from this ASU have been applied prospectively.

Revenues and other support are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions as follows:

Tuition and fees – Tuition and fees revenue is recognized pro-rata over the applicable period of instruction. A contract is entered into with a student and covers a course or semester. The University determined there are no costs that are capitalized to obtain or fulfill a contract with a student. Revenue recognition begins once a student starts attending a course. Registration and other fees that do not relate to instruction are recognized when no longer refundable. The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are not recorded until students have begun a course and the revenue recognition has commenced. The University's education programs have start and end dates that differ from its fiscal year end. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as contract liability in the consolidated statements of financial position. Student tuition and fees received in advance of services to be rendered are also recorded as contract liability. The accounting outcome for revenue recognition did not have significant changes under ASC Topic 606 when compared to legacy GAAP.

Tuition and fees consisted of the following at May 31:

	2019	2018
	(In thousands)	
Tuition and fees	$ 426,081	$ 420,566
Less financial aid to students	(132,318)	(119,829)
Tuition and fees, net	$ 293,763	$ 300,737

Grants and contracts – Governmental and private grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution – when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Contributions – Contributions, including unconditional promises to give, are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received in future periods are discounted at an appropriate discount rate. The discount is amortized annually and recognized as revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment considering such factors as historical collection history and existing economic conditions.

Investment income, net and net realized and unrealized gain (loss) on investment – Investment income and gains and losses on investments, net of investment expenses are reported as increases or decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions, net of external and direct investment expenses. Gains and losses on endowment investments and other endowment assets are reported as increases or decreases in net assets with donor restrictions until appropriated by the Board. Gains and losses on other investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted either by donor stipulation or by law. Expirations of restrictions are reported as reclassifications between the applicable classes of net assets and are reported as net assets released from restrictions in the consolidated statements of activities and changes in net assets.

Auxiliary revenue – Auxiliary revenue includes a variety of services that enhance the quality of student life on campus. Fees for housing, dining services and other auxiliary revenue, such as bookstore and food service commission, space rental, parking and recreational center fees, and intercollegiate athletic tickets revenue are recognized over the period the services are provided or at the time goods are provided.

Functional expense allocations – Program expenses are allocated by function as follows:

a. Instruction, which includes the costs directly related to teaching and instruction
b. Research, which includes the costs to produce research, whether external or institutional funded
c. Public service, which includes non-instructional services beneficial to individuals and groups external to the institution such as institutes and community service organizations
d. Academic support, which includes libraries, media service, and academic administration
e. Student services, which include financial aid administration, registrar, admissions, and student health services
f. Institutional support, which includes general administration, fiscal operations, information technology services, human resources, and development
g. Auxiliary enterprises, which include the operations of the University's residence halls, bookstore, and food service

Depreciation, interest, and operation and maintenance of plant expenses are allocated among program and supporting services based on usage of space, square footage, and debt proceeds usage. All other costs are charged directly to the appropriate functional category.

Use of estimates – The preparation of the consolidated financial statements in accordance with generally accepted accounting principles 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.

Tax-exempt status – The University of San Francisco, including its wholly owned entity, Star Route Farms, is a nonprofit corporation that qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. The University is, however, subject to federal and state income tax on unrelated business income and appropriate provision for any such taxes is included in the accompanying consolidated financial statements. The University evaluates its income tax position each fiscal year to determine whether the University's tax position is more likely than not to be sustained if examined by the applicable taxing authority. The evaluation had no material impact on the University's consolidated financial statements.

Reclassifications – Certain reclassifications were made to 2018 amounts to conform with 2019 presentation.

New accounting pronouncements – In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which enhances the reporting model for financial instruments to provide users of financial statements with more decision-useful information. The update addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The University has adopted the provisions of ASU 2016-01 during the year ended May 31, 2019, and eliminated certain fair value disclosures no longer required.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (TopUSF ic 842)* ("ASU 2016-02"), which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. ASU 2016-02 is effective for the University for fiscal year ending May 31, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"), which provides guidance on eight specific cash flow issues including: debt repayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. ASU 2016-15 is effective for the University for fiscal year ending May 31, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-15 on the consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18"), which requires the statement of cash flows to explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. ASU 2016-18 is effective for the University for fiscal year ending May 31, 2020. Management is currently evaluating the impact of the provisions of ASU 2016-18 on the consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements* ("ASU 2018-13"), which eliminates, adds and modifies certain disclosure requirements for fair value measurements. ASU 2018-13 is effective for the University for fiscal year ending May 31, 2021, and is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. Management has elected to early adopt the removed or modified disclosures during 2019, and delay the adoption of the additional disclosures until their effective date. As such, management is currently evaluating the impact of the provisions of ASU 2018-13 on the consolidated financial statements.

In March 2019, the FASB issued ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections* ("ASU 2019-03"), which modifies the definition of the term collections and require that a collection-holding entity disclose its policy for the use of proceeds from when collection items are deaccessioned (that is, removed from a collection). ASU 2019-03 is effective for the University for fiscal year ending May 31, 2021, and is permitted to early adopt either the entire standard or only the provisions that eliminate or modify requirements. Management is currently evaluating the impact of the provisions of ASU 2019-03 on the consolidated financial statements.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable as of May 31, consisted of amounts expected to be collected in:

	2019	2018
	(In thousands)	
Less than one year	$ 11,613	$ 13,561
One to five years	14,712	19,033
More than five years	14,689	14,727
Total	41,014	47,321
Less allowance for uncollectible contributions	(1,238)	(1,456)
Less unamortized discount	(2,155)	(2,462)
	(3,393)	(3,918)
Contributions receivable, net	$ 37,621	$ 43,403

NOTE 3 – CREDIT QUALITY OF FINANCING RECEIVABLES

Student loans – The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources.

Student loans consisted of the following at May 31:

	2019	2018
	(In thousands)	
Federal government programs	$ 7,968	$ 9,630
Institutional programs	66	95
Student loans receivable	8,034	9,725
Less allowance for doubtful accounts:		
Beginning of year	(645)	(569)
(Increases) decreases	(115)	(76)
End of year	(760)	(645)
Student loans receivable, net	$ 7,274	$ 9,080

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off when they are deemed by management to be permanently uncollectible.

Faculty and staff loans – The University provides home mortgage financing assistance to certain faculty and senior staff. Notes receivable amounting to $1,658,000 and $1,466,000 were outstanding at May 31, 2019 and 2018, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. No allowance for doubtful accounts has been recorded against these loans based on their collateralization and prior collection history. These amounts are included in other receivables in the accompanying consolidated statements of financial position.

NOTE 4 – INVESTMENTS

Investments as of May 31, consisted of the following:

	2019	2018
	(In thousands)	
Equity securities	$ 106,841	$ 106,698
Equity funds	32,615	32,268
Fixed-income investments	61,835	58,954
Short-term investments	73	1
Real estate	32,681	32,350
Alternative investments:		
Equity funds	65,227	72,530
Private capital	73,179	74,707
Real asset funds	12,539	12,372
Hedge funds	52,723	62,526
	$ 437,713	$ 452,406

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near term could materially affect account balances and the amounts reported in the accompanying consolidated financial statements.

NOTE 5 – FAIR VALUE MEASUREMENTS

The financial assets and liabilities carried on the accompanying consolidated statements of financial position by level within the valuation hierarchy as of May 31, 2019 and 2018, were as follows:

	Fair Value Measurements 2019				
	Measured at NAV	Level 1	Level 2	Level 3	Total
			(In thousands)		
Assets					
Cash equivalents - variable rate demand notes	$ -	$ 33,989	$ -	$ -	$ 33,989
Assets limited to use - fixed income funds and securities	-	130,617	-	-	130,617
Investments					
Equity securities	783	106,058	-	-	106,841
Equity funds	32,615	-	-	-	32,615
Fixed-income investments	13,614	16,789	31,432	-	61,835
Short-term investments	-	73	-	-	73
Real estate	-	-	-	32,681	32,681
Alternative investments:					
Equity funds	65,227	-	-	-	65,227
Private capital	68,133	-	-	5,046	73,179
Real asset funds	12,539	-	-	-	12,539
Hedge funds	52,723	-	-	-	52,723
Total investments	245,634	122,920	31,432	37,727	437,713
Beneficial interest in trusts	-	-	-	10,769	10,769
Total fair value of assets presented	$ 245,634	$ 287,526	$ 31,432	$ 48,496	$ 613,088
Liabilities					
Interest rate swap agreements	$ -	$ -	$ 12,514	$ -	$ 12,514
Total fair value of liabilities presented	$ -	$ -	$ 12,514	$ -	$ 12,514

	Fair Value Measurements 2018				
	Measured at NAV	Level 1	Level 2	Level 3	Total
			(In thousands)		
Assets					
Cash equivalents - Variable rate demand notes	$ -	$ 10,331	$ 15,253	$ -	$ 25,584
Investments					
Equity securities	705	105,993	-	-	106,698
Equity funds	32,268	-	-	-	32,268
Fixed-income investments	12,759	16,096	30,099	-	58,954
Short-term investments	-	1	-	-	1
Real estate	-	-	-	32,350	32,350
Alternative investments:					
Equity funds	72,530	-	-	-	72,530
Private capital	60,488	-	-	14,219	74,707
Real asset funds	12,372	-	-	-	12,372
Hedge funds	62,526	-	-	-	62,526
Total investments	253,648	122,090	30,099	46,569	452,406
Beneficial interest in trusts	-	-	-	11,317	11,317
Total fair value of assets presented	253,648	132,421	45,352	57,886	489,307
Liabilities					
Interest rate swap agreements	-	-	10,156	-	10,156
Total fair value of liabilities presented	$ -	$ -	$ 10,156	$ -	$ 10,156

The quantitative information about significant unobservable inputs related to Level 3 direct investments in real estate fair value measurements used at May 31, 2019, was as follows:

	Fair Value (In thousands)	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Residential real estate	$ 28,725	Sales comparable	Price per square foot	$292.78-$1,075.15 ($844.46)
Commercial real estate (building & land)	3,618	Income approach	Price per square foot	$245.48 ($245.48)
Commercial real estate (fractional ownership, building & land)	338	Income approach	Price per square foot	$675.17 (USF share $126.59)
	$ 32,681			

Changes in investments classified as Level 3 – There were no transfers within investments classified as Level 3 during the year ended May 31, 2019. There was one transfer from NAV to Level 3, for a limited partnership interest in a venture capital fund that is in the process of dissolution due to the expiration of the partnerships term, during the year ended May 31, 2018. The University reflects transfers in and out of levels as if the transfer occurred as of the beginning of the reporting period. There were no purchases or additions during the years ended May 31, 2019 and 2018.

Investment strategy and redemption information – The following table summarizes the investment strategy types and various features of the University's alternative investments as of May 31, 2019.

The University has commitments under some of the associated investment agreements to make additional capital contributions as noted:

	2019			
	Fair Value (In thousands)	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Level 3				
Private capital	$ 5,046	$ -	Not eligible	-
Investments measured at NAV				
Equity securities	783	-	Not eligible	-
Commingled funds:				
Equity funds	32,615	-	Daily	none
Fixed-income investment	13,614	-	Daily	none
Alternative investments:				
Equity funds	65,227	-	Daily, monthly, quarterly, over 3 years	6-60 days
Private capital	68,133	53,364	Not eligible	-
Real asset funds	12,539	5,718	Not eligible	-
Hedge funds	52,723	-	Monthly, quarterly, annually, over 3 years	45-120 days
	$ 245,634	$ 59,082		

The University holds certain investments in private capital and real assets limited partnerships in the amounts of $73,179,000 and $12,539,000, respectively. These limited partnerships do not allow for periodic redemptions, but rather distributions are received through the liquidation of the underlying assets of the partnership. At May 31, 2019, these partnerships had estimated termination dates that ranged from 2019 to 2031. Within alternative investment equity and hedge funds the University holds $15,112,000 in funds with an annual redemption date and up to 60-day redemption notice period. There are $6,305,000 in funds with a three-year redemption date and up to 120-day redemption notice period. Within the hedge funds, the University holds $7,034,000 in funds which were in liquidation at May 31, 2019. The University also holds alternative investments in trust and annuity investments and private equity stock shares in the amount of $783,000 with no periodic redemption terms.

Equity funds – The equity fund category encompasses a variety of funds focused on U.S. and international equity strategies with a range of liquidity. These funds can have diversified or sector specific portfolios investing in small cap, mid cap, or large cap equity securities. The category also includes equity index investments, such as the S&P 500 Index and the MSCI EAFE Index. Certain equity funds can invest up to 5% in private equity. Approximately 41% of the funds are redeemable on a daily basis with up to 28 days' notice. Another approximately 59% are redeemable monthly or quarterly with 6-45 days of notice after initial lock-ups. The fair values of the investments in this category have been determined using the NAV per share of the investment funds.

Hedge funds – The hedge fund category includes both hedged equity and absolute return strategies. The hedged equity funds invest both long and short in global equity securities. The absolute return funds pursue multiple strategies to diversify risk and reduce volatility. The goal of these vehicles is to achieve a positive return regardless of the directions of the broad credit and equity markets. The remaining balance of the category includes other funds with a multi-strategy investment framework, investing primarily in a mix of debt and equity securities, and related derivative contracts. The funds in this category have the ability to shift investment strategies. Investments in the hedge fund category can generally be redeemed on a monthly to quarterly basis, with 45 to 90 days' notice. There are several funds with a redemption frequency of up to 3 years and 120 days' notice. Also, the managers may impose gates or disallow redemptions at their discretion. The fair values of the investments in this category have been determined using the NAV per share of the investment funds.

Private capital – The private capital category includes funds that invest in a broad range of publicly- and privately-owned domestic and foreign companies. These funds are structured as partnerships in which the University is a limited partner, and each involves a commitment to invest a maximum dollar amount over the term of the partnership. The investment managers request, or “call” the funds from the general and limited partners over the term of the partnership as individual investment opportunities are identified. Therefore, there is a period of time for each of these funds during which the committed amount is not yet invested or “called.” These investments cannot be redeemed. Distributions are received when the underlying assets of the funds are liquidated. The investment periods for these funds typically range from 5-6 years, with the goal of liquidating the entire fund within 10 years. If necessary, funds can typically extend their time to liquidate by 2 additional years in accordance with the terms of the partnership agreement. The University expects the underlying assets within this category will be liquidated over the next 12 years, which includes likely extension agreements. The fair values of the investments in this category have been determined using the University’s ownership interest in partners’ capital to which a proportionate share of net assets is attributed as of the most recent quarter end, and have been adjusted for cash transactions and estimated valuation changes of similar publicly traded asset portfolios through the University’s fiscal year end.

The private capital category includes venture capital, private debt, buyout, multi-strategy funds, and fund-of-funds. Venture capital funds represent approximately 54% of the private capital category. These venture capital funds invest in small domestic and foreign companies in the technology or life sciences sector. Private debt funds, which consist mainly of distressed debt and mezzanine debt funds that invest in both domestic and foreign companies, represent approximately 13% of the private capital category. Buyout funds, which represent approximately 27% of the category, invest in small cap, mid cap, or large cap companies across a range of industries. The remaining balance of the category consists of multi-strategy funds and fund-of-funds that invest in a mix of domestic and foreign venture capital and private equity funds across a range of industries.

Real assets – The real asset category consists of investments in real estate funds and natural resource funds. The University’s portfolio of real estate funds is diversified between commercial and residential properties and is diversified geographically. The natural resource funds are invested mainly in the energy sector. All of the real asset funds are structured as partnerships in which the University is a limited partner. Similar to the University’s private capital investments, these investments cannot be redeemed. Distributions are received when the underlying assets of the funds are liquidated. The University expects the underlying assets within this category will be liquidated over the next 10 years, which includes likely extension agreements. The fair values of the real estate funds and natural resource funds have been determined using the University’s ownership interest in the partners’ capital to which a proportionate share of net assets is attributed as of the most recent quarter end, and have been adjusted for cash transactions and estimated valuation changes of similar publicly traded asset portfolios through the University’s fiscal year end.

NOTE 6 – PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment as of May 31, consisted of the following:

	2019	2018
	(In thousands)	
Buildings and improvements	$ 488,084	$ 485,636
Construction in progress	74,297	25,581
Furniture and equipment	42,737	48,959
Land and land improvements	50,060	50,060
Library books and collections	82,978	81,679
Property, plant, and equipment - total	738,156	691,915
Less accumulated depreciation	(246,964)	(239,602)
Property, plant, and equipment, net	$ 491,192	$ 452,313

On August 1, 2017, the University purchased real property and certain business assets in Bolinas, California for $10,300,000 related to the acquisition of Star Route Farms. At acquisition date, the University recorded estimated value of the assets acquired as follows: $7,052,000 in land, $3,098,000 in buildings and $150,000 in vehicles.

NOTE 7 – CONTRACT LIABILITY - STUDENT DEPOSITS

The following table depicts activities for contract liability - student deposits during the year ended May 31, 2019 (in thousands):

Balance, May 31, 2018	$ 21,853
Revenue recognized - summer term	(21,853)
Payment received for future performance obligation	21,095
Balance, May 31, 2019	$ 21,095

NOTE 8 – BONDS PAYABLE

Bonds payable consist of tax-exempt borrowings issued through the California Educational Facilities Authority ("CEFA") in the form of either fixed rate or variable rate revenue bonds. The University has issued CEFA revenue bonds to finance the construction, renovation, and equipping of certain educational facilities; to pay certain costs of issuance; and to refund or decease prior bond issues. Bonds payable as of May 31, consisted of the following:

	2019	2018
	(In thousands)	
California Educational Facilities Authority:		
Revenue bonds:		
CEFA Series 2018A; variable interest rate, principal due beginning October 1, 2037, and applicable interest due monthly in varying amounts through 2058; secured by the University's gross revenue without donor restrictions.	$ 140,000	$ -
CEFA Series 2018B; variable interest rate, principal due annually beginning October 1, 2019, and applicable interest due monthly in varying amounts through 2036; secured by the University's gross revenue without donor restrictions.	35,880	-
CEFA Series 2017; variable interest rate, principal due annually beginning May 1, 2017, and applicable interest due monthly in varying amounts through 2035; secured by the University's assets.	68,540	70,990
CEFA Series 2011; fixed interest rates from 3.0% to 6.125%, principal due annually beginning October 1, 2011, and applicable interest due semiannually in varying amounts through 2036; secured by the University's assets.	-	35,450
	244,420	106,440
Net unamortized premium on bonds payable and cost of issuance	17,246	(608)
	$ 261,666	$ 105,832

Aggregate annual maturities of bonds payable are as follows:

Years Ending May 31, (In thousands)		
2020	$	4,255
2021		4,465
2022		3,590
2023		3,230
2024		3,415
Thereafter		225,465
	$	244,420

On December 21, 2017, the University advanced refunded a portion of the CEFA Series 2011 revenue bonds with a tax-exempt loan agreement. The par amount of refunded bonds was $26,820,000. The University has recognized a loss on advanced refunding of debt of $4,009,000 as of May 31, 2018, included in the consolidated statement of activities and changes in net assets.

On November 21, 2018, the CEFA Series 2018A tax-exempt bonds were issued totaling $140,000,000. The proceeds from this bond will be used for the construction of a new residence hall on the Lone Mountain campus. Bond proceeds are held in trust by BNY Mellon, where it is invested at durations intended to match the cash needs for the project.

Simultaneously with the 2018A Bonds, the CEFA Series 2018B taxable bonds were issued totaling $35,880,000. The proceeds from this bond were used to advance refund the CEFA Series 2011 taxable fixed rate bonds, which carried a higher coupon rate.

The University utilizes interest rate swap agreements to mitigate the risk of changes in interest rates associated with variable interest rate indebtedness. Under the terms of the agreements, the University pays fixed rates ranging from 3.34% to 3.95% to the swap counterparty in exchange for a variable rate ranging from 64% to 67% of 1-month LIBOR on the notional amount. These swap agreements do not qualify as cash-flow hedges, and, as a result, changes in the fair value of the interest rate swap agreements during a period are recognized immediately in change in net assets without donor restriction. The fair values of the interest rate swap agreements are based on quotes from the market makers and, therefore, are classified as Level 2 in the fair value hierarchy as shown in Note 5.

The effective interest rate on the University's bonds payable was 3.88% and 4.66% as of May 31, 2019 and 2018, respectively. Cost of issuance for bonds payable are amortized over the life of the bonds using the effective interest method.

NOTE 9 – NOTES PAYABLE

On April 18, 2012, the University entered into a $27,500,000 term loan agreement for the purpose of partially reimbursing itself for a recent building acquisition. On July 15, 2015, this term loan agreement was amended to reflect an increased interest rate per annum equal to 3.24% with a revised maturity date of May 1, 2023. The University will continue to repay the bank principal amount in equal annual installments of $1,500,000 on May 1 of each year (began May 1, 2013) until the maturity date of May 1, 2023, when the final principal repayment installment will be repaid. The amended term loan bears interest at a rate per annum equal to 3.24% and is secured by a first priority parity security interest in all of the gross revenues without donor restrictions of the University.

On December 21, 2017, the University entered into a $31,310,000 tax-exempt loan agreement for the purpose of advance refunding a portion of the CEFA Series 2011 revenue bonds. The University will pay principal monthly at varying amounts beginning on October 1, 2021, until the maturity date of October 1, 2036, when the final principal repayment installment will be repaid. The loan agreement bears interest at a rate per annum equal to 3.15% and is secured by a first priority parity security interest in all of the gross revenues without donor restrictions of the University.

Notes payable as of May 31, consisted of the following:

	2019	2018
	(In thousands)	
Term loan; fixed interest rate per annum equal to 3.24%; principal due annually beginning May 1, 2013, and applicable interest due quarterly; maturity date through May 1, 2023; secured by a first priority parity interest of all gross revenues without donor restrictions of the University.	$ 17,000	$ 18,500
Tax-exempt loan agreement; fixed interest rate per annum equal to 3.15%; principal due monthly beginning October 1, 2021, and applicable interest due monthly; maturity date through October 1, 2036; secured by a first priority parity interest of all gross revenues without donor restrictions of the University.	31,310	31,310
	48,310	49,810
Net unamortized cost of issuance	(493)	(509)
	$ 47,817	$ 49,301

Aggregate annual maturities of the notes payable is as follows:

Years Ending May 31, (In thousands)		
2020	$	1,500
2021		1,500
2022		2,593
2023		14,178
2024		1,730
Thereafter		26,809
	$	48,310

The effective interest rate on the University's notes payable was 3.27% as of May 31, 2019 and 2018. Cost of issuance for notes payable are amortized over the life of the notes using the effective interest method.

NOTE 10 – ENDOWMENTS

The University's endowment funds consist of individual donor-restricted endowment funds and funds designated by the Board to function as endowments. The net assets associated with endowment funds, including those funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in 2008. The Board has interpreted the adopted UPMIFA 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 classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are approved for appropriation for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

a. The duration and preservation of the endowment fund
b. The purposes of the University and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and appreciation of investments
f. Other resources of the University
g. The investment policies of the University

When the Board designates funds without donor restrictions to function as endowments, they are classified as Board-designated endowments and are included within net assets without donor restrictions.

The following table presents the University's endowment pool composition as of May 31, 2019 and 2018, by type of fund:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Donor-restricted endowment fund	$ -	$ 283,458	$ 283,458
Board-designated endowment fund	99,498	-	99,498
Total endowment funds	$ 99,498	$ 283,458	$ 382,956

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Donor-restricted endowment fund	$ -	$ 289,468	$ 289,468
Board-designated endowment fund	101,124	-	101,124
Total endowment funds	$ 101,124	$ 289,468	$ 390,592

The changes in the University's endowments for the years ended May 31, 2019 and 2018, were as follows:

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Endowment net assets - May 31, 2018	$ 101,124	$ 289,468	$ 390,592
Investment income, net	597	1,700	2,297
Realized and unrealized loss on investments, net of fees	(577)	(1,555)	(2,132)
Additions to investment pool	2,024	4,520	6,544
Appropriation of endowment assets for expenditure	(3,670)	(10,675)	(14,345)
Endowment net assets - May 31, 2019	$ 99,498	$ 283,458	$ 382,956

	2018		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Endowment net assets - May 31, 2017	$ 90,047	$ 252,054	$ 342,101
Investment income, net	203	577	780
Realized and unrealized gain on investments, net of fees	14,111	40,186	54,297
Additions to investment pool	72	6,298	6,370
Appropriation of endowment assets for expenditure	(3,309)	(9,647)	(12,956)
Endowment net assets - May 31, 2018	$ 101,124	$ 289,468	$ 390,592

Amounts classified as net assets with donor restrictions as of May 31, were as follows:

	2019	2018
	(In thousands)	
Net Assets With Donor Restrictions		
The portion of net assets with donor restrictions participating in the investment pool that is required to be retained permanently by explicit donor stipulation or UPMIFA.	$ 170,172	$ 165,652
Total accumulated appreciation of funds with donor restrictions not appropriated for expenditure.	113,286	123,816
Endowment net assets	283,458	289,468
The portion of net assets with donor restrictions not participating in the investment pool that is required to be retained permanently by explicit donor stipulation or UPMIFA.	20,938	19,605
	$ 304,396	$ 309,073

Endowment funds with deficits – From time to time, the fair value of assets associated with individual donor endowment funds may fall below the value of the initial and subsequent donor gift amounts (deficit). When individual donor endowments decline, net assets with donor restrictions are reduced to the fair value of the original gift. Further reductions in the fair value of the individual donor endowment are classified as a reduction of net assets with donor restrictions. Such deficits resulted from unfavorable market conditions and authorized appropriations and expenditures that were deemed prudent. The annual appropriation for endowment funds with deficits is returned to corpus rather than released for spending. As of May 31, 2019 and 2018, there were no deficits of this nature reported in net assets with donor restrictions. Future appreciation of the donor endowment restores the value to the original required level.

Return objectives and risk parameters – The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity as well as Board-designated funds. Under this policy, endowment assets are invested in a manner that is intended to yield an annual long-term rate of return of the Consumer Price Index plus 4.5% net of management fees, while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

Strategies employed for achieving investment objectives – To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Relationship of spending policy to investment objectives – The spending policy amount of the endowment fund addresses both the funds available for appropriation and the expenses of managing the fund. In determining the annual spending policy amount for the endowment fund, the University takes into consideration the needs of the University for current income as well as the goal of providing a perpetual source of income to the University that will grow at least at the rate of inflation. For the years ended May 31, 2019 and 2018, the spending policy amount was 4.5% of the market value of the endowment fund. Market value, for the purpose of calculating the spending policy amount, is the three-year moving average of the market value per share of the endowment fund as of December 31 of each year. Funds identified for appropriation will be distributed following the fiscal year end. In addition, the Board may, in response to changing economic circumstances, raise or lower the percentage to be distributed in any given year.

Net assets with donor restrictions not participating in the investment pool – Net assets with donor restrictions not participating in the investment pool include investments in trusts and beneficial interests in trusts where the University is both the trustee and where the University is not the trustee. Net assets with donor restrictions not participating in the investment pool also include donor-restricted contributions receivable.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of May 31, were restricted to the following:

	2019	2018
	(In thousands)	
Subject to expenditure for specified purpose:		
Acquisition of property, plant, and equipment	$ 10,156	$ 13,846
Accumulated appreciation of endowment funds not appropriated for expenditure	113,286	123,816
Passage of time	20,310	21,329
Scholarship and departmental programs	4,000	4,000
	147,752	162,991
Endowments:		
Subject to appropriation and expenditure when a specified event occurs	20,938	19,605
Held in perpetuity and subject to NFP endowment spending policy and appropriation	170,172	165,652
	191,110	185,257
Total	$ 338,862	$ 348,248

Net assets released from restrictions during the years ended May 31, were as follows:

	2019	2018
	(In thousands)	
Restrictions accomplished:		
Renovation of University facilities	$ 4,981	$ 3,193
Time restrictions expired	3,280	3,789
Endowment appropriation for spending	10,675	9,647
Total	$ 18,936	$ 16,629

NOTE 12 – FINANCIAL AID TO STUDENTS

Financial aid to students reported in the consolidated statements of activities and changes in net assets as a reduction of tuition and fees, was funded in the fiscal years ended May 31, from the following revenue sources:

	2019	2018
	(In thousands)	
University tuition and fees	$ 116,379	$ 108,913
Endowment distribution	10,337	6,634
Donor contributions for current use	4,138	3,577
Government grants	1,464	705
Total	$ 132,318	$ 119,829

NOTE 13 – RELATED-PARTY TRANSACTIONS

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. The University has a conflict of interest policy that requires any such associations be disclosed in writing on an annual basis and updated as appropriate during the year. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the board member from any decisions involving the entity doing business with the University.

In 1970, The Jesuit Community of the University of San Francisco (the "Community"), a corporation, became an entity separate from the University. However, certain relationships are of continuing significance. Members of the Community serve on the University faculty and administration under individual contracts. Salaries are paid in total to the Community and were approximately $2,012,000 and $1,864,000 for the years ended May 31, 2019 and 2018, respectively. In the opinion of the University's management, such salaries are comparable to those of other University employees. Additionally, at May 31, 2019 and 2018, the University had accounts receivable balances of $38,000 and $132,000, respectively, included in other receivables, from the Community for miscellaneous charges. Members of the Community occupied housing facilities recorded at historical cost of $10,512,000 at May 31, 2019 and 2018 ($6,511,000 net book value at May 31, 2019, and $6,721,000 net book value at May 31, 2018).

The University holds secured and unsecured notes receivable from employees for housing assistance. These notes bear interest at a range of 0% to 10% and mature at various dates (see Note 3).

The University has investments in eleven limited partnership agreements in which a trustee or trustee emeritus is a partner or founder. These transactions were approved by the Board. As of May 31, 2019 and 2018, the University had capital contributions of approximately $14,360,000 and $12,300,000, respectively, to such partnerships, which are included in private capital. As of May 31, 2019 and 2018, the University had committed to make additional capital contributions of approximately $3,990,000 and $1,050,000, respectively.

NOTE 14 – RETIREMENT BENEFITS

Substantially all nontemporary full-time employees of the University are covered under a 401(a) defined contribution retirement plan (the "Plan") administered by the Teachers' Insurance and Annuity Association – College Retirement Equities Fund. The Plan requires the University to contribute to the Plan 10% of employees' base salary below the Social Security wage base and 12% on the base salary amount above the Social Security wage base, up to a maximum salary of $265,000 for tax years 2019 and 2018. Total retirement expense under the Plan was $15,776,000 and $15,235,000 for the years ended May 31, 2019 and 2018, respectively, which is net of total forfeitures under the Plan of $444,000 and $1,452,000 for the years ended May 31, 2019 and 2018, respectively. There are no employee matching requirements under the Plan. In addition to the Plan, substantially all employees are eligible to participate in a voluntary 403(b) defined contribution plan. There are no University contribution requirements under this plan.

The University also maintains a 457(f) supplemental deferred compensation plan funded by employee pre-tax dollar contributions administered by The Hartford. The plan was established in 1985 and frozen to new participants in 1989. As of May 31, 2019, the University holds $111,600 in investments for the plan and a corresponding liability of $111,600 due to the participants in the plan.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

The University has entered into 78 limited partnership arrangements for investment purposes, whereby the University has committed to make capital contributions to the partnerships of approximately $187,228,000. These commitments include the related-party commitment of $18,350,000 as discussed in Note 13. As of May 31, 2019, the University had contributed approximately $138,240,000 to the partnerships.

The University has various purchase commitments totaling $129,600,000 at May 31, 2019, related primarily to construction contracts.

The University is also contingently liable in connection with claims, matters subject to arbitration, and contracts arising in the normal course of its activities. In addition, the University receives funds from various federal and state government-funded programs, including loan funds, which are subject to audit by cognizant governmental agencies. The University is also subject to audit by other government agencies. Management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the University.

The University leases certain educational facilities under noncancelable operating leases. Future minimum lease payments for all noncancelable operating leases in excess of one year for the next five years are as follows:

Years Ending May 31, (In thousands)		
2020	$	2,688
2021		2,295
2022		1,115
2023		319
2024		288
Thereafter		5,165
	$	11,870

Rent expense was $4,172,000 and $4,548,000 for the years ended May 31, 2019 and 2018, respectively.

NOTE 16 – LIQUIDITY AND AVAILABILITY

The University regularly monitors liquidity and availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures. The following table reflects the University's financial assets as of May 31, 2019 (in thousands):

Financial assets	
Cash and cash equivalents	$ 78,798
Student accounts, net	3,938
Contributions, net	37,621
Student loans, net	7,274
Other receivables	13,999
Assets limited to use	130,617
Investments	437,713
Beneficial interest in trusts	10,769
Total financial assets at May 31, 2019	$ 720,729
Financial assets available to meet cash needs for general expenditure within one year:	
Cash and cash equivalents	$ 66,487
Student accounts, collectible within one year	3,938
Contributions, collectible within one year	8,881
Other receivables, collectible within one year	12,134
Investments convertible to cash within one year	28,925
Total financial assets available to meet cash needs for general expenditure within one year	$ 120,365

Financial assets are considered unavailable when illiquid or not convertible to cash and cash equivalents within one year. The University has established an operating reserve and reviews its funding level on an ongoing basis to ensure it is adequate. In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Cash in excess of daily requirements is typically invested in short-term, liquid securities.

NOTE 17 – FUNCTIONAL EXPENSES

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities and changes in net assets. The University reports expenditures in categories reflecting core operational objectives for higher education as defined by Integrated Postsecondary Education Data System (IPEDS). The allocation of functional expenses for the year ended May 31, 2019, with comparative totals for the year ended May 31, 2018, is as follows (in thousands):

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total 2019	Total 2018
Salaries	$ 98,314	$ 733	$ 1,799	$ 18,691	$ 22,487	$ 33,050	$ 5,152	$ 180,226	$ 180,475
Benefits	33,175	164	616	6,501	7,877	8,862	1,240	58,435	60,142
Other	16,459	1,795	635	7,128	18,393	20,088	19,964	84,462	81,361
Plant	17,074	107	60	1,379	2,949	646	3,157	25,372	23,384
Interest	5,683	12	7	192	323	1,076	1,663	8,956	11,534
Depreciation	9,343	52	12	2,966	1,778	2,839	5,031	22,021	22,506
	$ 180,048	$ 2,863	$ 3,129	$ 36,857	$ 53,807	$ 66,561	$ 36,207	$ 379,472	$ 379,402

NOTE 18 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The University recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position, but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued.

The University's management determined that there are no material events that occurred subsequent to the consolidated statement of financial position date and through September 27, 2019, the date the consolidated financial statements are issued, which would require adjustments to or disclosures in the consolidated financial statements.