

UNIVERSITY OF SAN FRANCISCO

Report of Independent Auditors and Consolidated Financial Statements

MAY 31, 2026 AND 2025

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Report of Independent Auditors

The Board of Trustees
University of San Francisco

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of the University of San Francisco (the University), which comprise the consolidated statements of financial position as of May 31, 2026 and 2025, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University of San Francisco as of May 31, 2026 and 2025, 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.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

San Francisco, California
October 28, 2026

Consolidated Financial Statements

University of San Francisco
Consolidated Statements of Financial Position
May 31, 2026 and 2025
(In Thousands)

	2026	2025
ASSETS		
Cash and cash equivalents	$ 13,771	$ 19,067
Receivables		
Student accounts, net	11,473	12,073
Contributions, net	32,957	36,908
Student loans, net	1,501	1,804
Other	6,109	4,959
Investments	722,435	630,200
Beneficial interest in trusts	10,583	10,422
Prepaid expenses and other assets	8,212	8,113
Operating lease right-of-use assets	4,072	4,696
Property, plant, and equipment, net	654,628	671,234
Total assets	$ 1,465,741	$ 1,399,476
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 63,246	$ 52,726
Contract liability - student deposits	16,307	17,397
Deferred revenue	7,692	9,171
Liability under split-interest agreements	3,731	2,654
Liability under interest rate swap agreements	1,797	2,514
Operating lease liabilities	4,475	5,081
Bonds payable, net	231,647	235,942
Notes payable, net	95,007	63,385
Federal student loan funds refundable	3,248	3,424
Total liabilities	427,150	392,294
Net assets - without donor restrictions	458,054	493,497
Net assets - with donor restrictions	580,537	513,685
Total net assets	1,038,591	1,007,182
Total liabilities and net assets	$ 1,465,741	$ 1,399,476

See accompanying notes.

University of San Francisco
Consolidated Statement of Activities and Changes in Net Assets
Year Ended May 31, 2026
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Student tuition and fees, net	$ 262,210	$ -	$ 262,210
Auxiliary revenue - residence and dining fees	45,019	-	45,019
Grants and contracts	9,857		9,857
Contributions	11,566	2,899	14,465
Contributions in-kind (nonfinancial)	5,662	-	5,662
Endowment income distributed for operating activities	5,702	19,140	24,842
Auxiliary revenue - other	7,366	-	7,366
Other	9,220	-	9,220
Net assets released from restrictions	26,252	(26,252)	-
Total operating revenues	382,854	(4,213)	378,641
Operating expenses			
Instruction	181,955	-	181,955
Research	4,422	-	4,422
Public service	4,641	-	4,641
Academic support	42,733	-	42,733
Student services	69,796	-	69,796
Institutional support	100,116	-	100,116
Auxiliary enterprises	42,834	-	42,834
Total operating expenses	446,497	-	446,497
Decrease in net assets from operations	(63,643)	(4,213)	(67,856)
Nonoperating activities			
Contributions for acquisition of capital assets	-	31	31
Contributions to endowment funds	26	9,075	9,101
Loss on disposal of property and equipment	(212)	-	(212)
Investment income, net	3,196	3,615	6,811
Net realized and unrealized gains on investments	29,546	75,031	104,577
Endowment income distributed for operating activities	(5,702)	(19,140)	(24,842)
Change in value of split-interest agreements	-	3,082	3,082
Change in value of interest rate swap agreements	717	-	717
Net assets released from restrictions for acquisition of property, plant, and equipment	629	(629)	-
Total nonoperating activities	28,200	71,065	99,265
CHANGE IN NET ASSETS	(35,443)	66,852	31,409
NET ASSETS, beginning of year	493,497	513,685	1,007,182
NET ASSETS, end of year	$ 458,054	$ 580,537	$ 1,038,591

See accompanying notes.

University of San Francisco
Consolidated Statement of Activities and Changes in Net Assets
Year Ended May 31, 2025
(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Student tuition and fees, net	$ 274,550	$ -	$ 274,550
Auxiliary revenue - residence and dining fees	39,602	-	39,602
Grants and contracts	11,104		11,104
Contributions	10,927	4,467	15,394
Contributions in-kind (nonfinancial)	392	150	542
Endowment income distributed for operating activities	5,674	16,945	22,619
Auxiliary revenue - other	7,323	-	7,323
Other	10,353	-	10,353
Net assets released from restrictions	24,957	(24,957)	-
Total operating revenues	384,882	(3,395)	381,487
Operating expenses			
Instruction	183,243	-	183,243
Research	4,804	-	4,804
Public service	4,707	-	4,707
Academic support	36,699	-	36,699
Student services	60,137	-	60,137
Institutional support	95,783	-	95,783
Auxiliary enterprises	38,098	-	38,098
Total operating expenses	423,471	-	423,471
Decrease in net assets from operations	(38,589)	(3,395)	(41,984)
Nonoperating activities			
Contributions for acquisition of capital assets	-	1,189	1,189
Contributions to endowment funds	218	11,463	11,681
Loss on disposal of property and equipment	(145)	-	(145)
Investment income, net	3,643	3,420	7,063
Net realized and unrealized gains on investments	9,505	28,314	37,819
Endowment income distributed for operating activities	(5,674)	(16,945)	(22,619)
Change in value of split-interest agreements	-	930	930
Change in value of interest rate swap agreements	(490)	-	(490)
Net assets released from restrictions for acquisition of capital assets	4,650	(4,650)	-
Total nonoperating activities	11,707	23,721	35,428
CHANGE IN NET ASSETS	(26,882)	20,326	(6,556)
NET ASSETS, beginning of year	520,379	493,359	1,013,738
NET ASSETS, end of year	$ 493,497	$ 513,685	$ 1,007,182

See accompanying notes.

University of San Francisco
Consolidated Statements of Cash Flows
Years Ended May 31, 2026 and 2025
(In Thousands)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 31,409	$ (6,556)
Adjustment to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	27,383	27,695
Provision for credit losses	2,469	1,655
Change in discount on contribution receivable	(443)	123
Forgiveness of employee notes	9	9
Net realized and unrealized gain on investments	(104,577)	(37,845)
Change in value of split-interest agreements	(2,357)	(930)
Change in value of interest rate swap agreements	(717)	490
Loss on disposal of property, plant, and equipment	212	145
Contributions restricted for investment in endowment and plant	(6,297)	(5,356)
Change in operating assets and liabilities:		
Student accounts receivable	(1,615)	(5,279)
Contributions receivable	4,054	(2,424)
Other receivables	(1,179)	9,050
Prepaid expenses and other assets	(141)	(595)
Accounts payable and accrued liabilities	10,645	1,994
Contract liability - student deposits	(1,090)	427
Deferred revenue	(1,479)	1,804
Net cash used in operating activities	(43,714)	(15,593)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(11,497)	(18,856)
Proceeds from sale of investments	64,152	93,459
Purchases of investments	(49,897)	(52,640)
Distributions of interest in trusts	1,360	49
Issuance of student loans	(98)	(90)
Student loan repayments	487	650
Issuance of employee notes	(105)	(18)
Employee notes repayments	125	70
Net cash provided by investing activities	4,527	22,624

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See accompanying notes.

University of San Francisco
Consolidated Statements of Cash Flows
Years Ended May 31, 2026 and 2025
(In Thousands)

(continued from previous page)

	2026	2025
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	35,000	-
Payments on bonds payable	(3,825)	(3,610)
Payments on notes payable	(3,405)	(3,361)
Contributions restricted for investment in endowment and plant	6,297	5,356
Net change in federal student loan funds refundable	(176)	(687)
Net cash provided by (used in) financing activities	33,891	(2,302)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(5,296)	4,729
CASH AND CASH EQUIVALENTS, beginning of year	19,067	14,338
CASH AND CASH EQUIVALENTS, end of year	$ 13,771	$ 19,067
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION		
Cash paid for interest	$ 12,831	$ 12,577
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Additions to property, plant, and equipment included in accounts payable and accrued liabilities	$ 1,158	$ 715
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 1,000	$ 913

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.

Star Route Farms was incorporated on June 20, 2017, as Star Route Farms, LLC (Star Route Farms). The University of San Francisco is the 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 – The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which include the principles of not-for-profit accounting as defined by the Financial Accounting Standards Board (FASB). The accounting principles require that revenues reported 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 – Includes 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 – 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.

Operating and nonoperating activities – The University's measure of operating activities, presented in the consolidated statements of activities, includes all transactions that are incurred in the course of the normal business operations of the University. Nonoperating activities include transactions that are outside of the University's normal business operations.

Cash and cash equivalents – Cash and cash equivalents include cash on deposit, money market funds, and fixed-income securities with a maturity of three months or less. Cash and cash equivalents held within the investment portfolio are included in investments on the consolidated statements of financial position and are considered part of the University's investment strategy. 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 Deposit Insurance Corporation (FDIC) or by the Securities Investor Protection Corporation (SIPC).

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. Delinquent accounts are written off based on evaluation of the student's specific circumstances. Student account receivable balances by nature are noninterest-bearing, short-term, unsecured, and do not have specific due dates. Student accounts receivable is presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Student accounts receivable totaled $17,647,000 and $17,788,000 as of May 31, 2026 and 2025, respectively. Student accounts receivable allowance for credit losses is estimated as $6,174,000 and $5,715,000 as of May 31, 2026 and 2025, respectively. The University separates student accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the consolidated statement of financial position date, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Changes in the allowance for credit losses for the years May 31, 2026 and 2025, were as follows (in thousands):

	2026	2025
Balance, beginning of year	$ 5,715	$ 6,045
Provisions	2,215	1,987
Write-offs, net of recoveries	(1,756)	(2,317)
Balance, end of year	$ 6,174	$ 5,715

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 loans receivable bear interest ranging from 3% to 5% and are generally repayable to the University over a period of ten years.

The University estimates the allowance for credit losses on its student loans receivable using the Current Expected Credit Losses (CECL) methodology, which requires the University to estimate lifetime expected credit losses on its student loans receivable at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The University employs a provisional loss rate approach to estimate the expected credit losses. For each loan program, the University calculates an average loss rate based on historical default and recovery rates, adjusted for current conditions, and forward-looking information, including economic forecasts related to unemployment rates and inflation. The University continually monitors the appropriateness of its CECL methodology and makes adjustments as necessary to reflect the changes that may impact the student loan portfolio.

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. During the years ended May 31, 2026 and 2025, the University refunded $284,000 and $502,000, respectively, of its federal share to the federal government.

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.

Investments – Investments are stated at fair value and represent a diversified portfolio of cash, short term investments, 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 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 consists of certain fixed-income investments. 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 consolidated 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.

Beneficial interest in trusts – 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 rates for all trusts and annuities were calculated using Internal Revenue Service (IRS) interest rates and actuarial tables for Standard Annuity, Income and Remainder Unitrust Factors with an average of 3.59% and 3.49% at May 31, 2026 and 2025, respectively.

As of May 31, 2026 and 2025, investments in equity securities include $9,538,000 and $6,517,000, 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 $3,731,000 and $2,654,000 are included in liability under split-interest agreements as of May 31, 2026 and 2025, 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 3.95% and 3.80% at May 31, 2026 and 2025, respectively. The University holds a beneficial interest in trusts where the University is not the trustee, amounting to $10,583,000 and $10,422,000 as of May 31, 2026 and 2025, respectively. Beneficial interest in trusts 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 trusts are the applicable discount rates that range from 1.60% to 8.00%, and applicable life expectancies based on IRS actuarial tables for Standard Annuity, Income and Remainder Unitrust Factors.

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. Proceeds from deaccessioned collection items are used to acquire new items for the collection or for the direct care of the collection, ensuring the collection is protected, kept unencumbered, cared for, and preserved.

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. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. No such impairment was recorded during the years ended May 31, 2026 and 2025.

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

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

Leases – Transactions give rise to leases when the University receives substantially all of the economic benefits from and has the ability to direct the use of the specified property and equipment. The University primarily has lessee activity that is classified as operating leases and are included in operating lease right-of-use assets and operating lease liabilities in the consolidated statements of financial position.

Operating lease right-of-use assets represent the right to use an underlying asset for the lease term, and operating lease liabilities represent obligations to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. When discount rates implicit in leases cannot be readily determined, the University uses the risk-free rate at lease commencement to perform lease classification tests and to measure lease liabilities and right-of-use assets. Lease expense for operating leases is recognized on a straight-line basis over the lease term. Certain optional renewal periods were not included in the determination of the lease liability and right-of-use asset if management determined it was not reasonably certain that the lease would be extended. The University has elected not to recognize right-of-use assets and lease liabilities for leases of terms less than 12 months.

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, 2026 and 2025, and a 125% aggregate excess. As of May 31, 2026 and 2025, an estimated liability for payment of incurred and unpaid claims of $2,329,000 and $1,270,000, respectively, is included in accounts payable and 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 deductible policy that contains a $250,000 per occurrence deductible. As of May 31, 2026 and 2025, an estimate of uninsured losses of $1,567,000 and $673,000, respectively, is included in accounts payable and 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, 2026, 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, 2026 and 2025, the University contributed to the union trust and charged to expense $1,124,000 and $1,052,000, 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 years ended May 31, 2026 and 2025, 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 2026 and 2025 is for the plan years ended December 31, 2025 and 2024, 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.

Pension Fund	EIN-PN	Pension Protection Act Zone Status		Are the University's Contributions More than 5% of Total Plan Contributions?		FIP/RP Status Pending/ Implemented
		2026	2025	2026	2025	
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 within accounts payable and accrued liabilities on the consolidated statements of financial position 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 $16,307,000 and $17,397,000 as of May 31, 2026 and 2025, 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.

Revenues and other support – 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.

Tuition and fees consisted of the following at May 31:

	2026	2025
	(in thousands)	
Tuition and fees	$ 432,471	$ 430,569
Less financial aid to students	(170,261)	(156,019)
Tuition and fees, net	$ 262,210	$ 274,550

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 – Unconditional contributions are recognized as revenue in the period received and pledged 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. The University's policy is to liquidate donated nonfinancial assets unless holding the asset is in the best interest of the University. Contributions to be received in future periods are discounted using risk-adjusted rates applicable at the initial measurement date. 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.

Contributions in-kind (nonfinancial) – Contributed goods and services that create or enhance nonfinancial assets, or that require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation, are recorded as contributions in-kind at their estimated fair value on the date of receipt. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose or time period. Assets donated with explicit restrictions regarding use are reported as revenue with donor restrictions. Contributions in-kind without donor restrictions consisted primarily of software subscriptions, which were fully utilized to support the University's mission and goals. Donated software subscriptions totaled $5,645,000 and $392,000 for the years ended May 31, 2026 and 2025, respectively. The University's policy is to record the estimated fair value of these contributions based on current rates for similar services. Contributions in-kind with donor restrictions consisted of undeveloped land totaling $0 and $150,000 for the years ended May 31, 2026 and 2025, respectively. The University used a sales comparable valuation to assess the estimated fair value of this asset.

Investment income, net and net realized and unrealized gain (loss) on investment – Investment income and gains and losses on investments, net of investment expenses is 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 internal 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 noninstructional 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; and
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 U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fundraising expenses – Fundraising expenses were approximately $14,608,000 and $14,795,000 for the years ended May 31, 2026 and 2025, respectively, and are included in institutional support expenses on the consolidated statements of activities and changes in net assets.

Advertising costs – Advertising costs were approximately $2,714,000 and $2,095,000 for the years ended May 31, 2026 and 2025, respectively, and were expensed when incurred.

Reclassifications – Certain amounts presented in the prior year consolidated financial statements have been reclassified to conform to the current year presentation.

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.

Note 2 – Contributions Receivable

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

	2026	2025
	(in thousands)	
Less than one year	$ 12,872	$ 7,776
One to five years	8,862	18,042
More than five years	15,250	15,220
Total contributions receivable	36,984	41,038
Less allowance for uncollectible contributions	(2,020)	(1,680)
Less unamortized discount (0.30% to 4.52%)	(2,007)	(2,450)
Contributions receivable, net	$ 32,957	$ 36,908

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:

	2026	2025
	(in thousands)	
Federal government programs	$ 2,321	$ 2,708
Institutional programs	39	41
Student loans receivable	2,360	2,749
Less allowance for credit losses		
Beginning of year	(945)	(1,093)
Decreases	86	148
End of year	(859)	(945)
Student loans, net	$ 1,501	$ 1,804

The University considers student loans past due once the student enters into repayment status and is delinquent on the amounts due per the loan terms.

At May 31, 2026 and 2025, the following amounts were past due under all student loan programs:

May 31,	1-60 Days Past Due	61-90 Days Past Due	91-119 Days Past Due	120-180 Days Past Due	181-730 Days Past Due	731+ Days Past Due	Total Past Due
				(in thousands)			
2026	$ 1	$ 1	$ 0	$ 0	$ 90	$ 961	$ 1,053
2025	$ 1	$ 1	$ -	$ 1	$ 93	$ 1,018	$ 1,114

Faculty and staff loans – The University provides home mortgage financing assistance to certain faculty and senior staff. Notes receivable amounting to $974,000 and $1,004,000 were outstanding at May 31, 2026 and 2025, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. No allowance for credit loss 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:

	2026	2025
	(in thousands)	
Investment cash	$ 14,027	$ 38,494
Equity securities	182,839	128,989
Equity funds	52,710	49,554
Fixed-income investments	30,952	23,376
Short-term investments	206	49
Real estate	30,591	30,172
Alternative investments:		
Equity funds	130,808	110,945
Private capital - Partnerships	180,104	148,730
Real asset funds	17,681	16,846
Hedge funds	82,517	83,045
Total investments	$ 722,435	$ 630,200

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, 2026 as follows:

	Fair Value Measurements 2026				
	Measured at NAV	Level 1	Level 2	Level 3	Total
			(in thousands)		
Assets					
Cash equivalents - variable rate demand notes	$ -	$ 5,068	$ -	$ -	$ 5,068
Investments					
Investment cash	-	14,027	-	-	14,027
Equity securities	729	182,110	-	-	182,839
Equity funds	52,710	-	-	-	52,710
Fixed-income investments	19,361	10,675	916	-	30,952
Short-term investments	-	206	-	-	206
Real estate	-	-	-	30,591	30,591
Alternative investments:					
Equity funds	130,808	-	-	-	130,808
Private capital	180,104	-	-	-	180,104
Real asset funds	17,681	-	-	-	17,681
Hedge funds	82,517	-	-	-	82,517
Total investments	483,910	207,018	916	30,591	722,435
Beneficial interest in trusts	-	-	-	10,583	10,583
Total fair value of assets presented	$ 483,910	$ 212,086	$ 916	$ 41,174	$ 738,086
Liabilities					
Interest rate swap agreements	$ -	$ -	$ 1,797	$ -	$ 1,797
Total fair value of liabilities presented	$ -	$ -	$ 1,797	$ -	$ 1,797

The financial assets and liabilities carried on the accompanying consolidated statements of financial position by level within the valuation hierarchy as of May 31, 2025, were as follows:

	Fair Value Measurements 2025				
	Measured at NAV	Level 1	Level 2	Level 3	Total
			(in thousands)		
Assets					
Cash equivalents - variable rate demand notes	$ -	$ 7,992	$ -	$ -	$ 7,992
Investments					
Investment cash	-	38,494	-	-	38,494
Equity securities	703	128,286	-	-	128,989
Equity funds	49,554	-	-	-	49,554
Fixed-income investments	18,357	4,044	975	-	23,376
Short-term investments	-	49	-	-	49
Real estate	-	-	-	30,172	30,172
Alternative investments:					
Equity funds	110,945	-	-	-	110,945
Private capital	148,730	-	-	-	148,730
Real asset funds	16,846	-	-	-	16,846
Hedge funds	83,045	-	-	-	83,045
Total investments	428,180	170,873	975	30,172	630,200
Beneficial interest in trusts	-	-	-	10,422	10,422
Total fair value of assets presented	$ 428,180	$ 178,865	$ 975	$ 40,594	$ 648,614
Liabilities					
Interest rate swap agreements	$ -	$ -	$ 2,514	$ -	$ 2,514
Total fair value of liabilities presented	$ -	$ -	$ 2,514	$ -	$ 2,514

The quantitative information about significant unobservable inputs related to Level 3 direct investments in real estate fair value measurements used at May 31, 2026, was as follows:

	Fair Value (in thousands)	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Residential real estate	$ 28,481	Sales comparable	Price per square foot	$699.77 - $1,878.24 ($1,069.07)
Commercial real estate (building & land)	1,726	Income approach	Market value of lease payments Discount rate	$26,712.08 per month (6.17 years remaining on lease) 4.45%
Commercial real estate (fractional ownership, building & land)	384	Sales comparable	Price per square foot	$768.94 (USF share $144.18)
Total Level 3	$ 30,591			

Changes in investments classified as Level 3 – There were no transfers within investments classified as Level 3 during the years ended May 31, 2026 and 2025. There were no additions to investments classified as Level 3 during the year ended May 31, 2026. There was an undeveloped land addition of $150,000 classified as Level 3 during the year ended May 31, 2025.

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, 2026.

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

	2026			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
	(in thousands)			
Investments measured at NAV				
Equity securities	$ 729	$ -	Not eligible	none
Commingled funds:				
Equity funds	52,710	-	Daily	none
Fixed-income investment	19,361	-	Daily	none
Alternative investments:				
Equity funds	130,808	-	Daily, monthly, quarterly, annually	3-90 days
Private capital	180,104	87,167	Not eligible	-
Real asset funds	17,681	11,445	Not eligible	-
Hedge funds	82,517	-	Quarterly, annually	45-90 days
Total	$ 483,910	$ 98,612		

Equity Securities – The University holds $182,110,000 of investments in US and international index, mutual, commingled, or separately managed funds. These investments have daily liquidity and are measured at Level 1 fair value. $729,000 of equity securities are held in trust and annuity investments, 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. Approximately 40% of the funds are redeemable on a daily basis with 3-5 days of notice. Another approximately 53% are redeemable monthly or quarterly with 10 to 45 days of notice after initial lockups. Approximately 7% of the funds are redeemable on an annual basis with 90 days of notice after initial lockups. The fair values of the investments in this category have been determined using the NAV per share of the investment funds.

Fixed Income – The fixed income category consists of investments in US investment-grade, duration-neutral bond funds and ETF bond funds. These investments have daily liquidity.

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 direction 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 quarterly to annual basis, with 45 to 90 days' notice. Also, the managers may impose gates or disallow redemptions at their discretion. The University holds $29,386,000 in funds with an annual redemption date and up to 60-day redemption notice period. As of May 31, 2026, $3,000 in funds were in liquidation. 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 to 6 years, with the goal of liquidating the entire fund within 10 years. If necessary, funds can typically extend their time to liquidate by two 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 47% 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 15% of the private capital category. Buyout funds, which represent approximately 31% 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 asset funds – The real asset funds 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 and alternative energy sector. In March 2020, the University stated its intent to divest from fossil fuel investments, some of which are included in natural resource funds. 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 partnerships in this category to terminate within twelve years, including likely extension agreements. Partnerships in fossil fuel investments are in wind down. 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:

	2026	2025
	(in thousands)	
Buildings and improvements	$ 785,932	$ 783,080
Construction in progress	34,483	30,570
Furniture and equipment	32,694	34,131
Land and land improvements	94,850	94,850
Library books	91,440	90,240
Total property, plant, and equipment	1,039,399	1,032,871
Less accumulated depreciation	(384,771)	(361,637)
Property, plant, and equipment, net	$ 654,628	$ 671,234

Note 7 – Contract Liability – Student Deposits

The following table depicts activities for contract liability – student deposits during the years ended May 31, 2026 and 2025 (in thousands):

Balance, May 31, 2024	$	16,970
Revenue recognized – summer term		(16,970)
Payment received for future performance obligation		17,397
Balance, May 31, 2025		17,397
Revenue recognized – summer term		(17,397)
Payment received for future performance obligation		16,307
Balance, May 31, 2026	$	16,307

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 defease prior bond issues.

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

	2026	2025
	(in thousands)	
California Educational Facilities Authority:		
Revenue bonds:		
CEFA Series 2018A; fixed 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	$ 140,000
CEFA Series 2018B; fixed 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.	31,385	31,535
CEFA Series 2017; fixed and 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.	46,645	50,320
Total revenue bonds	218,030	221,855
Net unamortized premium on bonds payable and cost of issuance	13,617	14,087
Total bonds payable	$ 231,647	$ 235,942

Aggregate annual maturities of bonds payable are as follows (in thousands):

Years Ending May 31:	
2027	$ 4,045
2028	5,750
2029	6,050
2030	6,465
2031	6,290
Thereafter	189,430
Total maturities	$ 218,030

On April 1, 2017, the CEFA Series 2017 Variable Rate Refunding Revenue Bonds were issued for $75,000,000 to advance refund previously issued bonds. The previously issued bonds were used to finance various building projects.

On November 21, 2018, the CEFA Series 2018A tax-exempt bonds were issued totaling $140,000,000. The proceeds from this bond were used for the construction of the Lone Mountain East residence hall.

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 SOFR 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 4.34% and 4.40% as of May 31, 2026 and 2025, respectively. Cost of issuance for bonds payable are amortized over the life of the bonds using the effective interest method. Bond premiums are amortized over the life of the bonds using the effective interest method.

There are financial covenants related to long-term debt that the University is required to comply with. At May 31, 2026, the University received a waiver for certain covenants and has satisfied all creditor requirements through the relevant subsequent measurement period.

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. The agreement was amended on July 15, 2015, and September 2, 2020, with an interest rate per annum equal to 2.60% and a maturity date of May 1, 2030. 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, 2030, when the final principal repayment installment will be repaid. The term loan 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. On July 1, 2021, the loan agreement was amended to reflect an interest rate of 2.35%. The loan is secured by a first priority parity security interest in all of the gross revenues without donor restrictions of the University.

On August 2, 2022, the University entered into a note purchase agreement for the purpose of acquiring buildings and/or making capital improvements. The agreement allowed the University to issue term loan notes up to $82,000,000. On August 2, 2022, a 3.44% fixed rate borrowing of $31,000,000 was fulfilled under the agreement, with a maturity date of August 2, 2029, when the entire principal will be repaid. On July 19, 2024, the term loan commitment was amended to $31,000,000, and there will be no additional term loans under the agreement.

On July 19, 2024, the University entered into a revolving credit agreement. The agreement has been renewed several times, and as of May 31, 2026, allowed for loans up to $35,000,000 on a revolving basis through October 16, 2026. As of May 31, 2026, loans of $35,000,000 were outstanding. Subsequent to May 31, 2026, the University repaid the full outstanding balance and amended the terms of the agreement (see Note 18).

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

	2026	2025
	(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. On September 2, 2020, the term loan agreement was amended again to reflect a decreased interest rate per annum equal to 2.60% and a revised maturity date of May 1, 2030.	$ 6,500	$ 8,000
Tax-exempt loan agreement; fixed interest rate per annum equal to 2.35%; 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.	22,792	24,697
Term loan; fixed interest rate per annum equal to 3.44%; principal due upon maturity date of August 2, 2029; secured by a first priority parity interest of all gross revenues without donor restrictions of the University.	31,000	31,000
Line of credit for general operating; $35,000,000 revolving credit; variable interest rate per annum equal to adjusted term SOFR or the CB Floating Rate, plus an applicable spread based on the ratings assigned to the University's long-term unenhanced parity debt; principal due upon maturity date of October 16, 2026; secured by a first priority parity interest of all gross revenues without donor restrictions of the University.	35,000	-
Total loans	95,292	63,697
Net unamortized cost of issuance	(285)	(312)
Total notes payable	$ 95,007	$ 63,385

Aggregate annual principal maturities of the notes payable are as follows (in thousands):

Years ending May 31:	
2027	$ 38,451
2028	3,497
2029	3,546
2030	35,096
2031	2,146
Thereafter	12,556
Total maturities	$ 95,292

The effective interest rate on the University's notes payable was 3.17% and 2.98% as of May 31, 2026 and 2025, respectively. Cost of issuance for notes payable are amortized over the life of the notes using the effective interest method.

There are financial covenants related to long-term debt that the University is required to comply with. At May 31, 2026, the University received a waiver for certain covenants, and has satisfied all creditor requirements through the relevant subsequent measurement period.

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 perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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:

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

6. Other resources of the University.
7. 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 tables present the University's endowment pool composition as of May 31, 2026 and 2025, by type of fund:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
		(in thousands)	
Donor-restricted endowment fund	$ -	$ 518,399	$ 518,399
Board-designated endowment fund	156,980	-	156,980
Total endowment funds	$ 156,980	$ 518,399	$ 675,379

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
		(in thousands)	
Donor-restricted endowment fund	$ -	$ 449,511	$ 449,511
Board-designated endowment fund	138,338	-	138,338
Total endowment funds	$ 138,338	$ 449,511	$ 587,849

The changes in the University's endowments for the years ended May 31, 2026 and 2025, were as follows:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands)		
Endowment net assets – May 31, 2025	$ 138,338	$ 449,511	$ 587,849
Investment income, net	779	2,567	3,346
Realized and unrealized gain on investments, net of fees	23,192	75,925	99,117
Contributions	373	9,536	9,909
Appropriation of endowment assets for expenditure	(5,702)	(19,140)	(24,842)
Endowment net assets – May 31, 2026	$ 156,980	$ 518,399	$ 675,379

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
	(in thousands)		
Endowment net assets – May 31, 2024	$ 133,575	$ 430,058	$ 563,633
Investment income, net	722	2,338	3,060
Realized and unrealized gain on investments, net of fees	9,149	29,441	38,590
Contributions	566	6,583	7,149
Transfer of endowment assets	-	(1,964)	(1,964)
Appropriation of endowment assets for expenditure	(5,674)	(16,945)	(22,619)
Endowment net assets – May 31, 2025	$ 138,338	$ 449,511	$ 587,849

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

	2026	2025
	(in thousands)	
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.	$ 253,786	$ 245,500
Total accumulated appreciation of funds with donor restrictions not appropriated for expenditure.	264,613	204,011
Endowment net assets	518,399	449,511
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.	27,670	27,080
Total included in net assets with donor restrictions	$ 546,069	$ 476,591

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, 2026 and 2025, 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, 2026 and 2025, the spending policy amount was 4.5% of the fair 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:

	2026	2025
	(in thousands)	
Subject to expenditure for specified purpose		
Acquisition of property, plant, and equipment	$ 8,651	$ 9,232
Accumulated appreciation of endowment funds not appropriated for expenditure	264,613	204,011
Passage of time	25,817	27,862
Total specified purpose	299,081	241,105
Endowments		
Held in perpetuity and subject to endowment spending policy and appropriation when a specified event occurs	27,670	27,080
Held in perpetuity and subject to endowment spending policy and appropriation	253,786	245,500
Total endowments	281,456	272,580
Total restricted net assets	$ 580,537	$ 513,685

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

	2026	2025
	(in thousands)	
Restrictions accomplished		
Acquisition of property, plant, and equipment	$ 629	$ 4,650
Time restrictions expired	7,112	8,012
Endowment appropriation for spending	19,140	16,945
Total released net assets	$ 26,881	$ 29,607

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:

	2026	2025
	(in thousands)	
University tuition and fees	$ 149,348	$ 135,209
Endowment distribution	13,751	13,613
Donor contributions for current use	5,811	5,285
Government grants	1,351	1,912
Total financial aid	$ 170,261	$ 156,019

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 $542,000 and $1,530,000 for the years ended May 31, 2026 and 2025, respectively. In the opinion of the University's management, such salaries are comparable to those of other University employees. Members of the Community occupied housing facilities recorded at historical cost of $10,512,000 at May 31, 2026 and 2025 ($5,039,000 net book value at May 31, 2026, and $5,249,000 net book value at May 31, 2025).

The University holds secured and unsecured notes receivable from employees for housing assistance. These notes bear interest at a range of 0% to 3% and mature at various dates (see Note 3). Unsecured employee notes receivable was $32,000 and $35,000 as of May 31, 2026 and 2025, respectively.

Note 14 – Retirement Benefits

Substantially all non-temporary, 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. 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 $360,000 and $350,000 for tax years 2026 and 2025, respectively. Total retirement contributions under the Plan was $16,791,000 and $16,630,000 for the years ended May 31, 2026 and 2025, respectively, which is net of total forfeitures under the Plan of $464,000 and $719,000 for the years ended May 31, 2026 and 2025, 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.

Note 15 – Commitments and Contingencies

Contingencies – The University is 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 consolidated financial position of the University.

From time to time, the University is subject to legal proceedings and claims that arise in the ordinary course of business. In the opinion of management, the results of these matters will not have a significant impact on the consolidated financial statements of the University.

The University's grant funding is subject to various risks, including potential changes in government policy and executive orders issued by federal, state, or local authorities. Such actions may lead to modifications, delays, or cancellations of grant programs, which could negatively affect the University's ability to meet its commitments under existing grants.

In addition, the regulatory landscape regarding intercollegiate athletics, with respect to student-athlete compensation for Name, Image, and Likeness (NIL) rights continues to evolve. Recent federal initiatives and related regulatory developments may alter the University's responsibilities or funding related to NIL activities. The University is actively monitoring these changes and has implemented policies and procedures to help mitigate associated risks.

While the University has evaluated these risks, the potential impact of future executive orders and policy changes related to grant funding and NIL remains uncertain. The ultimate effect on the University's financial position and operating results will depend on the nature and timing of governmental actions. The University will continue to monitor these developments closely and take appropriate action as necessary.

Commitments – The University has entered into 103 limited partnership arrangements for investment purposes, whereby the University has committed to make capital contributions to the partnerships of approximately $313,021,000. As of May 31, 2026, the University had contributed approximately $214,409,000 to the partnerships.

The University has various purchase commitments totaling $1,803,000 at May 31, 2026, related primarily to construction contracts.

The University leases certain educational facilities under noncancelable operating leases. At May 31, 2026, the undiscounted future lease payments over the lease term for operating leases, along with a reconciliation of the undiscounted cash flows to operating lease liabilities, were as follows (in thousands):

Years ending May 31:	
2027	$ 972
2028	495
2029	408
2030	418
2031	240
Thereafter	3,403
Total lease payments	5,936
Less: Imputed interest	(1,461)
Operating lease liabilities as of May 31, 2026	$ 4,475

Lease Term and Discount Rate

	2026	2025
Weighted average remaining lease term (in years)	15.28	14.13
Weighted average discount rate	3.24%	2.72%

Total operating lease cost was $3,632,000 and $3,639,000 for the years ended May 31, 2026 and 2025, respectively. Cash payments for amounts included in the measurement of operating lease liabilities were $1,784,000 and $1,853,000 for the years ended May 31, 2026 and 2025, respectively, and are reflected within depreciation and amortization on the consolidated statements of cash flows.

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, available to meet cash needs for general expenditure within one year:

	2026	2025
	(in thousands)	
Financial assets		
Cash and cash equivalents	$ 13,771	$ 19,067
Student accounts, net	11,473	12,073
Contributions, net	32,957	36,908
Student loans, net	1,501	1,804
Other receivables	6,109	4,959
Investments	722,435	630,200
Beneficial interest in trusts	10,583	10,422
Total financial assets	$ 798,829	$ 715,433
Financial assets available to meet cash needs for general expenditure within one year		
Cash and cash equivalents	$ 6,489	$ 12,235
Student accounts, collectible within one year	11,473	12,073
Contributions, collectible within one year	4,036	5,649
Other receivables, collectible within one year	2,609	2,494
Investments convertible to cash within one year	63,017	51,864
Total financial assets available to meet cash needs for general expenditure within one year	$ 87,624	$ 84,315

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 actively manages its financial resources and is implementing cost-reduction measures and other financial strategies to align expenditures with available 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 consolidated 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 years ended May 31, 2026 and 2025, is as follows:

	2026							
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
	(in thousands)							
Salaries	$ 98,189	$ 1,253	$ 2,525	$ 17,706	$ 26,634	$ 43,058	$ 5,766	$ 195,131
Benefits	33,687	273	846	6,271	9,247	24,806	1,342	76,472
Other	11,147	2,503	1,100	12,453	24,809	28,129	19,435	99,576
Plant	21,252	211	115	2,040	4,826	1,262	4,621	34,327
Interest	8,148	66	36	670	1,517	982	1,681	13,100
Depreciation	9,532	116	19	3,593	2,763	1,879	9,989	27,891
Total	$ 181,955	$ 4,422	$ 4,641	$ 42,733	$ 69,796	$ 100,116	$ 42,834	$ 446,497

	2025							
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total
	(in thousands)							
Salaries	$ 99,184	$ 1,400	$ 2,505	$ 18,358	$ 25,945	$ 39,802	$ 5,170	$ 192,364
Benefits	33,680	331	801	6,474	9,051	18,690	1,184	70,211
Other	11,809	2,668	1,235	6,144	17,366	32,735	16,802	88,759
Plant	20,283	216	110	1,653	3,929	1,136	3,893	31,220
Interest	8,130	71	36	574	1,298	936	1,529	12,574
Depreciation	10,157	118	20	3,496	2,548	2,484	9,520	28,343
Total	$ 183,243	$ 4,804	$ 4,707	$ 36,699	$ 60,137	$ 95,783	$ 38,098	$ 423,471

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.

On August 24, 2026 the University repaid the full balance on its line of credit borrowings. On October 16, 2026, the revolving credit agreement was amended to allow for loans up to $45,000,000 on a revolving basis through January 14, 2027.

On July 1, 2026 the University purchased the Masonic Property located at 281 Masonic Avenue, San Francisco, California for approximately $8,500,000. The University previously leased this property and will continue to use it to support general operations.

The University's management determined that there are no other material events that occurred subsequent to the consolidated statement of financial position date and through October 28, 2026, the date the consolidated financial statements are issued, which would require adjustments to or disclosures in the consolidated financial statements.

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