UNIVERSITY OF SAN FRANCISCO

Reports of Independent Auditors and
Consolidated Financial Statements with
Supplementary Information

May 31, 2023 and 2022

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Report of Independent Auditors

To the Board of Trustees
University of San Francisco

Report on the Audit of the Consolidated 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, 2023 and 2022, 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, 2023 and 2022, 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 ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards ("Government Auditing Standards")*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the schedule of financial responsibility ratios, presented as supplementary information, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023, on our consideration of the University of San Francisco's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of San Francisco's internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
September 29, 2023

Consolidated Financial Statements

University of San Francisco
Consolidated Statements of Financial Position
May 31, 2023 and 2022
(In thousands)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 46,057	$ 61,340
Receivables		
Student accounts, net	8,395	6,559
Contributions, net	38,109	43,501
Student loans, net	2,773	3,480
Other	19,973	23,578
Investments	597,568	549,698
Beneficial interest in trusts	9,219	11,376
Prepaid expenses and other assets	8,110	6,183
Operating lease right-of-use assets	7,114	9,473
Property, plant, and equipment, net	682,242	675,609
Total assets	$ 1,419,560	$ 1,390,797
LIABILITIES		
Accounts payable and accrued liabilities	$ 67,699	$ 59,856
Contract liability - student deposits	18,680	19,021
Deferred revenue	9,231	10,626
Liability under split-interest agreements	2,492	2,683
Liability under interest rate swap agreements	3,892	6,590
Operating lease liabilities	7,530	9,876
Bonds payable, net	244,053	247,801
Notes payable, net	70,006	42,250
Federal student loan funds refundable	5,168	5,080
Total liabilities	428,751	403,783
NET ASSETS		
Net assets - without donor restrictions	536,252	549,390
Net assets - with donor restrictions	454,557	437,624
Total net assets	990,809	987,014
Total liabilities and net assets	$ 1,419,560	$ 1,390,797

See accompanying notes.

University of San Francisco
Consolidated Statement of Activities and Changes in Net Assets
Year Ended May 31, 2023
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Student tuition and fees, net	$ 285,987	$ -	$ 285,987
Auxiliary revenue - residence and dining fees	47,362	-	47,362
Grants and contracts	9,627	-	9,627
Investment income, net	2,869	3,235	6,104
Contributions	11,961	31,710	43,671
Contributions in-kind	3,016	-	3,016
Net realized and unrealized gain on investments	4,254	4,842	9,096
Change in value of split-interest agreements	-	(166)	(166)
Change in value of interest rate swap agreements	2,698	-	2,698
Auxiliary revenue - other	6,706	-	6,706
Other	7,281	-	7,281
Net assets released from restrictions	22,688	(22,688)	-
Total revenues and other support	404,449	16,933	421,382
EXPENSES			
Instruction	185,179	-	185,179
Research	4,550	-	4,550
Public service	3,585	-	3,585
Academic support	34,511	-	34,511
Student services	56,867	-	56,867
Institutional support	89,455	-	89,455
Auxiliary enterprises	43,440	-	43,440
Total expenses	417,587	-	417,587
CHANGE IN NET ASSETS	(13,138)	16,933	3,795
NET ASSETS, beginning of year	549,390	437,624	987,014
NET ASSETS, end of year	$ 536,252	$ 454,557	$ 990,809

See accompanying notes.

University of San Francisco
Consolidated Statement of Activities and Changes in Net Assets
Year Ended May 31, 2022
(In thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Student tuition and fees, net	$ 277,158	$ -	$ 277,158
Auxiliary revenue - residence and dining fees	41,817	-	41,817
Grants and contracts	26,479	-	26,479
Investment income, net	2,466	2,709	5,175
Contributions	13,419	19,091	32,510
Contributions in-kind	3,016	-	3,016
Net realized and unrealized loss on investments	(20,474)	(63,167)	(83,641)
Change in value of split-interest agreements	-	(464)	(464)
Change in value of interest rate swap agreements	6,024	-	6,024
Auxiliary revenue - other	5,405	-	5,405
Other	5,308	-	5,308
Net assets released from restrictions	22,969	(22,969)	-
Total revenues and other support	383,587	(64,800)	318,787
EXPENSES			
Instruction	179,958	-	179,958
Research	2,375	-	2,375
Public service	3,161	-	3,161
Academic support	36,507	-	36,507
Student services	50,502	-	50,502
Institutional support	84,503	-	84,503
Auxiliary enterprises	36,102	-	36,102
Total expenses	393,108	-	393,108
CHANGE IN NET ASSETS	(9,521)	(64,800)	(74,321)
NET ASSETS, beginning of year	558,911	502,424	1,061,335
NET ASSETS, end of year	$ 549,390	$ 437,624	$ 987,014

See accompanying notes.

University of San Francisco
Consolidated Statements of Cash Flows
Years Ended May 31, 2023 and 2022
(In thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,795	$ (74,321)
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	28,640	27,774
Provision for bad debt	4,276	3,165
Change in discount on contribution receivable	280	20
Forgiveness of employee notes	12	87
Net realized and unrealized (gain) loss on investments	(9,067)	83,691
Change in value of split-interest agreements	166	464
Change in value of interest rate swap agreements	(2,698)	(6,024)
Loss on disposal of property, plant, and equipment	231	987
Contributions restricted for investment in endowment and plant	(23,432)	(16,772)
Distributions of interest in trusts	2,167	778
Change in:		
Student accounts receivable	(3,600)	(3,457)
Contributions receivable	2,658	11,245
Other receivables	3,722	(2,658)
Prepaid expenses and other assets	(2,037)	1,016
Accounts payable and accrued liabilities	7,805	(25,414)
Contract liability - student deposits	(341)	(2,484)
Deferred revenue	(1,395)	708
Net cash provided by (used in) operating activities	11,182	(1,195)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(35,831)	(62,083)
Proceeds from sale of investments	180,965	134,858
Purchases of investments	(220,135)	(139,307)
Issuance of student loans	(105)	(83)
Student loan repayments	754	895
Issuance of employee notes	(157)	(115)
Employee notes repayments	28	161
Net cash used in investing activities	(74,481)	(65,674)

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See accompanying notes.

University of San Francisco
Consolidated Statements of Cash Flows (Continued)
Years Ended May 31, 2023 and 2022
(In thousands)

(continued from previous page)

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of notes payable	31,000	-
Payments on bonds payable	(3,230)	(3,590)
Payments on notes payable	(3,274)	(2,662)
Contributions restricted for investment in endowment and plant	23,432	16,772
Net change in federal student loan funds refundable	88	(1,272)
Net cash provided by financing activities	48,016	9,248
NET CHANGE IN CASH AND CASH EQUIVALENTS	(15,283)	(57,621)
CASH AND CASH EQUIVALENTS, beginning of year	61,340	118,961
CASH AND CASH EQUIVALENTS, end of year	$ 46,057	$ 61,340
SUPPLEMENTAL DISCLOSURE OF CASH-FLOW INFORMATION		
Interest paid	$ 11,873	$ 12,052
Operating lease right-of-use assets obtained in exchange for operating lease liabilities	$ 371	$ 3,052
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Additions to property, plant, and equipment included in accounts payable and accrued liabilities	$ 4,486	$ 4,290

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 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 (“generally accepted accounting principles”), which include the principles of not-for-profit accounting as defined by the Financial Accounting Standards Board (“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 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. 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 $14,021,000 and $10,579,000 as of May 31, 2023 and 2022, respectively. Student accounts receivable allowance for bad debt is estimated as $5,626,000 and $4,020,000 as of May 31, 2023 and 2022, 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. During the years ended May 31, 2023 and 2022, the University refunded $651,000 and $784,000, 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. The most significant portion of other receivables is the federal direct loan amount, totaling $9,608,000 and $12,548,000 as of May 31, 2023 and 2022, respectively.

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 variable rate demand notes, 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 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 rate used for all trusts and annuities was an average of 2.52% and 2.52% at May 31, 2023 and 2022, respectively.

As of May 31, 2023 and 2022, investments in marketable securities include $5,720,000 and $6,047,000, 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 $2,492,000 and $2,683,000 are included in liability under split-interest agreements as of May 31, 2023 and 2022, 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 4.03% and 3.96% at May 31, 2023 and 2022, respectively. The University holds a beneficial interest in trusts where the University is not the trustee, amounting to $9,219,000 and $11,376,000 as of May 31, 2023 and 2022, 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 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.

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 represents 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, 2023 and 2022, and a 125% aggregate excess. As of May 31, 2023 and 2022, an estimated liability for payment of incurred and unpaid claims of $1,048,000 and $1,023,000, 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, 2023 and 2022, an estimate of uninsured losses of $577,000 and $632,000, 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, 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, 2023 and 2022, the University contributed to the union trust and charged to expense $977,000 and $818,000, 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, 2023 and 2022, 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 2021 and 2020 is for the plan years ended December 31, 2022 and 2021, 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 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	2023	2022	2023	2022	
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 statement 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 $18,680,000 and $19,021,000 as of May 31, 2023 and 2022, 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:

	2023	2022
	(In thousands)	
Tuition and fees	$ 439,791	$ 430,713
Less financial aid to students	(153,804)	(153,555)
Tuition and fees, net	$ 285,987	$ 277,158

Financial aid to students included Higher Education Emergency Relief Funds ("HEERF") of approximately $25,000 and $9,483,000 for the years ended May 31, 2023 and 2022, respectively.

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.

As a result of the coronavirus (COVID-19) global pandemic, the University received and recognized approximately $25,000 and $18,985,000 in Higher Education Emergency Relief Funds ("HEERF") during the years ended May 31, 2023 and 2022, respectively; approximately $25,000 and $9,483,000 were earmarked directly to students for 2023 and 2022, respectively.

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 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 – Contributed goods and services that create or enhance non-financial 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 of software subscriptions, which were fully utilized to support the University’s mission and goals. Donated software subscriptions totaled $3,016,000 for both years ended May 31, 2023 and 2022. The University’s policy is to record the estimated fair value of these contributions based on current rates for similar services.

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
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.

Fundraising expenses – Fundraising expenses were approximately $12,456,000 and $11,109,000 for the years ended May 31, 2023 and 2022, 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 $2,306,000 and $2,244,000 for the years ended May 31, 2023 and 2022, 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.

New accounting pronouncements – In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. Effective May 31, 2023, the University adopted FASB ASU No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*, resulting in the presentation of a separate line item under the Statement of Activities, "Contributions in-kind." This represents all nonfinancial assets contributed to the University. See additional disclosures in Note 1 above.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326),* which requires the use of the current expected credit losses ("CECL") impairment model for a broad scope of financial instruments, including financial assets measured at amortized cost (which includes loans, held-to-maturity debt securities and trade receivables), net investments in leases, and certain off-balance sheet credit exposures. The CECL model requires the immediate recognition of estimated expected credit losses over the life of the financial instrument. ASU No. 2016-13 is effective for the University for the year ended May 31, 2024. Management is currently evaluating the impact on the consolidated financial statements.

Note 2 – Contributions Receivable

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

	2023	2022
	(In thousands)	
Less than one year	$ 18,083	$ 17,335
One to five years	9,713	13,018
More than five years	19,025	19,127
Total	46,821	49,480
Less allowance for uncollectible contributions	(6,444)	(3,990)
Less unamortized discount (0.30% to 3.81%)	(2,268)	(1,989)
	(8,712)	(5,979)
Contributions receivable, net	$ 38,109	$ 43,501

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:

	2023	2022
	(In thousands)	
Federal government programs	$ 3,826	$ 4,471
Institutional programs	44	47
Student loans receivable	3,870	4,518
Less allowance for doubtful accounts:		
Beginning of year	(1,039)	(1,046)
Decreases (increases)	(58)	8
End of year	(1,097)	(1,038)
Student loans receivable, net	$ 2,773	$ 3,480

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 $1,187,000 and $1,070,000 were outstanding at May 31, 2023 and 2022, 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:

	2023	2022
	(In thousands)	
Equity securities	$112,037	$ 134,996
Equity funds	35,278	34,900
Fixed-income investments	81,157	42,172
Short-term investments	35	60
Real estate	38,703	32,709
Alternative investments:		
Equity funds	108,603	97,742
Private capital – Partnerships	131,866	120,656
Real asset funds	14,987	14,353
Hedge funds	74,902	72,110
	$ 597,568	$ 549,698

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, 2023 and 2022, were as follows:

	Fair Value Measurements 2023				
	Measured at NAV	Level 1	Level 2 (In thousands)	Level 3	Total
Assets					
Cash equivalents - variable rate demand notes	$ -	$ 35,324	$ -	$ -	$ 35,324
Investments					
Equity securities	730	111,307	-	-	112,037
Equity funds	35,278	-	-	-	35,278
Fixed-income investments	8,891	12,175	60,091	-	81,157
Short-term investments	-	35	-	-	35
Real estate	-	-	-	38,703	38,703
Alternative investments:					
Equity funds	108,603	-	-	-	108,603
Private capital	128,008	-	-	3,858	131,866
Real asset funds	14,987	-	-	-	14,987
Hedge funds	74,902	-	-	-	74,902
Total investments	371,399	123,517	60,091	42,561	597,568
Beneficial interest in trusts	-	-	-	9,219	9,219
Total fair value of assets presented	$ 371,399	$ 158,841	$ 60,091	$ 51,780	$ 642,111
Liabilities					
Interest rate swap agreements	$ -	$ -	$ 3,892	$ -	$ 3,892
Total fair value of liabilities presented	$ -	$ -	$ 3,892	$ -	$ 3,892

	Fair Value Measurements 2022				
	Measured at NAV	Level 1	Level 2	Level 3	Total
			(In thousands)		
Assets					
Cash equivalents - variable rate demand notes	$ -	$ 21,661	$ -	$ -	$ 21,661
Assets limited to use - fixed-income funds and securities	-	-	-	-	-
Investments					
Equity securities	10,117	124,879	-	-	134,996
Equity funds	34,900	-	-	-	34,900
Fixed-income investments	9,024	12,204	20,944	-	42,172
Short-term investments	-	60	-	-	60
Real estate	-	-	-	32,709	32,709
Alternative investments:					
Equity funds	97,742	-	-	-	97,742
Private capital	119,708	-	-	948	120,656
Real asset funds	14,353	-	-	-	14,353
Hedge funds	72,110	-	-	-	72,110
Total investments	357,954	137,143	20,944	33,657	549,698
Beneficial interest in trusts	-	-	-	11,376	11,376
Total fair value of assets presented	$ 357,954	$ 158,804	$ 20,944	$ 45,033	$ 582,735
Liabilities					
Interest rate swap agreements	$ -	$ -	$ 6,590	$ -	$ 6,590
Total fair value of liabilities presented	$ -	$ -	$ 6,590	$ -	$ 6,590

The quantitative information about significant unobservable inputs related to Level 3 direct investments in real estate fair value measurements used at May 31, 2023, was as follows:

	Fair Value (In thousands)	Valuation Techniques	Unobservable Inputs	Range (Weighted Average)
Residential real estate	$ 35,801	Sales comparable	Price per square foot	$451.66-$2,690.23 ($1,045.01)
Commercial real estate (building & land)	2,495	Income approach	Price per square foot	$169.30 ($169.30)
Commercial real estate (fractional ownership, building & land)	407	Income approach	Price per square foot	$768.94 (USF share $144.18)
	$ 38,703			

Changes in investments classified as Level 3 – There were no transfers within investments classified as Level 3 during the years ended May 31, 2023 and 2022. There was a real estate investment addition of $6,470,000 classified as Level 3 during the year ended May 31, 2023.

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, 2023.

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

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
	(In thousands)			
Investments measured at NAV				
Equity securities	$ 730	$ -	Annually	90 days
Commingled funds:				
Equity funds	35,278	-	Daily	none
Fixed-income investment	8,891	-	Daily	none
Alternative investments:				
Equity funds	108,603	-	Daily, monthly, quarterly, annually	3-90 days
Private capital	128,008	88,578	Not eligible	-
Real asset funds	14,987	13,541	Not eligible	-
Hedge funds	74,902	-	Quarterly, annually	45-90 days
	$ 371,399	$ 102,119		

The University holds certain investments in private capital and real assets limited partnerships in the amounts of $131,866,000 and $14,987,000, 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, 2023, these partnerships had estimated termination dates that ranged from 2023 to 2035. Within alternative investment equity and hedge funds, the University holds $41,629,000 in funds with an annual redemption date and up to 90-day redemption notice period. There are $0 in funds with a three-year redemption date. Within the hedge funds, the University holds $5,305,000 in funds that were in liquidation at May 31, 2023. The University also holds alternative investments in trust and annuity investments and private equity stock shares in the amount of $730,000 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. Approximately 39% of the funds are redeemable on a daily basis with up to 28 days' notice. Another approximately 54% are redeemable monthly or quarterly with 6 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.

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 quarterly to annual basis, with 45 to 90 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 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 46% 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 19% of the private capital category. Buyout funds, which represent approximately 29% 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 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 underlying assets within this category will be liquidated over the next 11 years, with the fossil fuel investments expected to be liquidated over the next three years, including 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:

	2023	2022
	(In thousands)	
Buildings and improvements	$ 735,928	$ 732,741
Construction in progress	59,252	38,150
Furniture and equipment	47,803	46,254
Land and land improvements	75,445	75,445
Library books and collections	88,437	87,113
Property, plant, and equipment - total	1,006,865	979,703
Less accumulated depreciation	(324,623)	(304,094)
Property, plant, and equipment, net	$ 682,242	$ 675,609

Note 7 – Contract Liability – Student Deposits

The following table depicts activities for contract liability – student deposits during the years ended May 31, 2023 and 2022 (in thousands):

Balance, May 31, 2021	$ 21,505
Revenue recognized - summer term	(21,505)
Payment received for future performance obligation	19,021
Balance, May 31, 2022	19,021
Revenue recognized - summer term	(19,021)
Payment received for future performance obligation	18,680
Balance, May 31, 2023	$ 18,680

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:

	2023	2022
	(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	$ 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.	31,810	31,865
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.	57,070	60,245
	228,880	232,110
Net unamortized premium on bonds payable and cost of issuance	15,173	15,691
	$ 244,053	$ 247,801

Aggregate annual maturities of bonds payable are as follows:

Years Ending May 31, (In thousands)	
2024	$ 3,415
2025	3,610
2026	3,825
2027	4,045
2028	5,750
Thereafter	208,235
	$ 228,880

On December 21, 2017, the University advance 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.

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 Loan 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 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 4.06% and 3.96% as of May 31, 2023 and 2022, 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. 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. 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. The original loan agreement stated an interest rate per annum equal to 3.15%. 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 with JPMorgan Chase Bank. The agreement allows the University to issue term loan notes up to $82,000,000 to borrow funds for the purpose of acquiring and/or making capital improvements. On August 2, 2022, a 3.44% fixed rate borrowing request of $31,000,000 was fulfilled under the agreement, with a maturity date of August 2, 2029, when the entire principal will be repaid.

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

	2023	2022
	(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.	$ 11,000	$ 12,500
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.	28,373	30,148
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	-
	70,373	42,648
Net unamortized cost of issuance	(367)	(398)
	$ 70,006	$ 42,250

Aggregate annual principal maturities of the notes payable is as follows:

Years Ending May 31, (In thousands)	
2024	$ 3,315
2025	3,361
2026	3,405
2027	3,451
2028	3,497
Thereafter	53,344
	$ 70,373

The effective interest rate on the University's notes payable was 3.32% and 3.27% as of May 31, 2023 and 2022. 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 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 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 table presents the University's endowment pool composition as of May 31, 2023 and 2022, by type of fund:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Donor-restricted endowment fund	$ -	$ 382,140	$ 382,140
Board-designated endowment fund	121,957	-	121,957
Total endowment funds	$ 121,957	$ 382,140	$ 504,097

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Donor-restricted endowment fund	$ -	$ 374,257	$ 374,257
Board-designated endowment fund	122,421	-	122,421
Total endowment funds	$ 122,421	$ 374,257	$ 496,678

The changes in the University's endowments for the years ended May 31, 2023 and 2022, were as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Endowment net assets - May 31, 2022	$ 122,421	$ 374,257	$ 496,678
Investment income, net	724	2,284	3,008
Realized and unrealized gain on investments, net of fees	2,412	7,474	9,886
Additions to investment pool	340	16,408	16,748
Transfer of endowment assets	1,666	(1,666)	-
Appropriation of endowment assets for expenditure	(5,606)	(16,617)	(22,223)
Endowment net assets - May 31, 2023	$ 121,957	$ 382,140	$ 504,097

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
		(In thousands)	
Endowment net assets - May 31, 2021	$ 148,837	$ 426,118	$ 574,955
Investment income, net	545	1,637	2,182
Realized and unrealized loss on investments, net of fees	(20,569)	(62,288)	(82,857)
Additions to investment pool	892	28,543	29,435
Transfer of endowment assets	(2,252)	(5,659)	(7,911)
Appropriation of endowment assets for expenditure	(5,032)	(14,094)	(19,126)
Endowment net assets - May 31, 2022	$ 122,421	$ 374,257	$ 496,678

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

	2023	2022
	(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.	$ 228,889	$ 214,189
Total accumulated appreciation of funds with donor restrictions not appropriated for expenditure.	153,251	160,067
Endowment net assets	382,140	374,256
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.	31,515	28,910
	$ 413,655	$ 403,166

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, 2023 and 2022, 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, 2023 and 2022, 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.

Transfer of endowment assets – During the year ended May 31, 2022, the Ricci Institute for Chinese-Western Cultural History, a research center hosted by the University, relocated its operations and assets to Boston College. The University transferred endowment assets of $7,911,000 to Boston College.

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:

	2023	2022
	(In thousands)	
Subject to expenditure for specified purpose:		
Acquisition of property, plant, and equipment	$ 13,542	$ 2,644
Accumulated appreciation of endowment funds not appropriated for expenditure	153,251	160,067
Passage of time	27,360	31,814
	194,153	194,525
Endowments:		
Subject to appropriation and expenditure when a specified event occurs	31,515	28,910
Held in perpetuity and subject to NFP endowment spending policy and appropriation	228,889	214,189
	260,404	243,099
Total	$ 454,557	$ 437,624

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

	2023	2022
	(In thousands)	
Restrictions accomplished:		
Renovation of University facilities	$ 530	$ 1,975
Time restrictions expired	5,541	3,891
Transfer of endowment assets	-	3,009
Endowment appropriation for spending	16,617	14,094
Total	$ 22,688	$ 22,969

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:

	2023	2022
	(In thousands)	
University tuition and fees	$ 131,599	$ 126,208
Endowment distribution	13,285	9,475
Donor contributions for current use	5,873	5,729
Government grants	3,047	12,143
Total	$ 153,804	$ 153,555

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 $1,252,000 and $1,327,000 for the years ended May 31, 2023 and 2022, 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, 2023 and 2022 ($5,670,000 net book value at May 31, 2023, and $5,880,000 net book value at May 31, 2022).

The University holds secured and unsecured notes receivable from employees for housing assistance. These notes bear interest at a range of 0% to 4% and mature at various dates (see Note 3). Unsecured employee notes receivable was $52,000 and $63,000 as of May 31, 2023 and 2022, respectively.

The University has investments in 12 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, 2023 and 2022, the University had capital contributions of approximately $18,585,000 and $17,885,000, respectively, to such partnerships, which are included in private capital. As of May 31, 2023 and 2022, the University had committed to make additional capital contributions of approximately $1,765,000 and $2,465,000, 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. 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 $305,000 and $290,000 for tax years 2023 and 2022. Total retirement expense under the Plan was $15,669,000 and $15,211,000 for the years ended May 31, 2023 and 2022, respectively, which is net of total forfeitures under the Plan of $489,000 and $579,000 for the years ended May 31, 2023 and 2022, 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 Empower Retirement. The plan was established in 1985 and frozen to new participants in 1989. As of May 31, 2023, the University holds $37,000 in investments for the plan and a corresponding liability of $37,000 due to the participants in the plan.

Note 15 – Commitments and Contingencies

The University has entered into 99 limited partnership arrangements for investment purposes, whereby the University has committed to make capital contributions to the partnerships of approximately $285,744,000. These commitments include the related-party commitment of $20,350,000 as discussed in Note 13. As of May 31, 2023, the University had contributed approximately $205,469,000 to the partnerships.

The University has various purchase commitments totaling $16,104,000 at May 31, 2023, 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 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 leases certain educational facilities under noncancelable operating leases. At May 31, 2023, 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:

Years Ending May 31, (In thousands)		
2024	$	1,881
2025		1,605
2026		1,286
2027		463
2028		196
Thereafter		3,932
Total lease payments		9,363
Less: Imputed interest		(1,833)
Operating lease liabilities as of May 31, 2023	$	7,530

Lease Term and Discount Rate

Weighted average remaining lease term (in years)	11.97
Weighted average discount rate	2.52%

Total operating lease cost was $3,986,000 and $3,694,000 for the years ended May 31, 2023 and 2022, 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, 2023 and 2022, available to meet cash needs for general expenditure within one year:

	2023	2022
	(In thousands)	
Financial assets		
Cash and cash equivalents	$ 46,057	$ 61,340
Student accounts, net	8,395	6,559
Contributions, net	38,109	43,501
Student loans, net	2,773	3,480
Other receivables	19,973	23,578
Investments	597,568	549,698
Beneficial interest in trusts	9,219	11,376
Total financial assets	$ 722,094	$ 699,532
Financial assets available to meet cash needs for general expenditure within one year:		
Cash and cash equivalents	$ 25,482	$ 47,570
Student accounts, collectible within one year	8,395	6,559
Contributions, collectible within one year	6,166	6,114
Other receivables, collectible within one year	16,862	17,560
Investments convertible to cash within one year	43,050	38,140
Total financial assets available to meet cash needs for general expenditure within one year	$ 99,955	$ 115,943

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, 2023 and 2022, is as follows (in thousands):

	2023							
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total 2023
Salaries	$ 96,155	$ 1,045	$ 2,269	$ 16,976	$ 24,697	$ 35,199	$ 5,354	$ 181,695
Benefits	32,008	219	725	5,916	8,507	14,551	1,244	63,170
Other	13,313	2,852	444	5,762	15,570	34,229	20,303	92,473
Plant	25,069	254	104	1,933	4,598	1,331	5,440	38,729
Interest	8,086	68	28	540	1,219	911	1,699	12,551
Depreciation	10,548	112	15	3,384	2,276	3,234	9,400	28,969
	$ 185,179	$ 4,550	$ 3,585	$ 34,511	$ 56,867	$ 89,455	$ 43,440	$ 417,587

	2022							
	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Total 2022
Salaries	$ 96,066	$ 760	$ 2,040	$ 16,102	$ 23,667	$ 34,018	$ 4,762	$ 177,415
Benefits	31,537	161	629	5,603	8,007	10,182	1,104	57,223
Other	15,756	1,240	390	9,591	12,813	34,420	17,385	91,595
Plant	17,937	95	66	1,467	2,953	891	3,318	26,727
Interest	7,986	35	24	564	1,082	857	1,504	12,052
Depreciation	10,676	84	12	3,180	1,980	4,135	8,029	28,096
	$ 179,958	$ 2,375	$ 3,161	$ 36,507	$ 50,502	$ 84,503	$ 36,102	$ 393,108

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 other material events that occurred subsequent to the consolidated statement of financial position date and through September 29, 2023, the date the consolidated financial statements are issued, which would require adjustments to or disclosures in the consolidated financial statements.

Supplementary Information

University of San Francisco
Schedule of Financial Responsibility Ratios
Year Ended May 31, 2023

Section 498(c)(1) of the Higher Education Act authorizes the secretary for the U.S. Department of Education ("ED") to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios – primary reserve, equity, and net income – that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution's ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to ED of 10 percent or more of its previous year's Title IV funding, as determined by ED.

The source for each balance below has been referenced to either the consolidated statement of financial position ("SOFP"), consolidated statement of activities ("SOA"), consolidated statement of cash flows ("SCF"), or a specific footnote with exception of the following:

ED has set limits within the primary reserve calculation so that long-term debt issued by the University subsequent to July 1, 2019, must be limited to the portion spent on property, plant, and equipment. Therefore, ED requires that all property, plant, and equipment and long-term debt acquired or issued subsequent to that date be reported separately. Note 6 to the consolidated financial statements provides information on the University's total property, plant, and equipment, net, but does not provide a breakout of assets acquired before and after the implementation date of July 1, 2019. The following table provides a breakdown at May 31, 2023, based on the July 1, 2019 implementation date (in thousands):

	Reference	
Property, plant, and equipment - pre-implementation (includes capital leases if applicable)		$ 339,492
Property, plant, and equipment - post-implementation with outstanding debt for original purchase (includes capital leases)		-
Property, plant, and equipment - post-implementation without outstanding debt for original purchase		283,498
Construction in progress	Note 6	59,252
Total property, plant, and equipment, net, at May 31, 2023	SOFP	$ 682,242

University of San Francisco
Schedule of Financial Responsibility Ratios (Continued)
Year Ended May 31, 2023

The following table provides a breakdown of long-term debt for long-term purposes pre-implementation, at May 31, 2023 (in thousands):

	Reference		
Bonds payable, net	SOFP	$	244,053
Notes payable, net			
Term loan	Note 9		11,000
Tax-exempt loan	Note 9		28,373
			39,373
Net unamortized cost of issuance	Note 9		(367)
Long-term debt for long term purposes pre-implementation at May 31, 2023			283,059
Term loan	Note 9		31,000
Long-term debt for long term purposes post-implementation at May 31, 2023			31,000
Total bonds and notes payable, net		$	314,059

University of San Francisco
Schedule of Financial Responsibility Ratios (Continued)
Year Ended May 31, 2023

Primary Reserve Ratio Calculation	Reference	Year ended May 31, 2023 (In thousands)	
Net assets without donor restrictions	SOFP	$ 536,252	
Net assets with donor restrictions	SOFP	454,557	
Total net assets		990,809	
Less:			
Annuities with donor restrictions	n/a	-	
Term endowments with donor restrictions	Note 11	(31,515)	
Life income funds with donor restrictions	n/a	-	
Net assets with donor restrictions: restricted in perpetuity	Note 11	(228,889)	
Net assets with donor restrictions: other for purpose or time (just memo)	***	-	
Secured and unsecured related-party receivables	n/a	-	
Unsecured related-party receivables	Note 13	(52)	
Unsecured other related-party assets	n/a	-	
Property, plant and equipment - pre-implementation (includes capital leases if applicable)	*	(339,492)	
Property, plant and equipment - post-implementation with outstanding debt for original purchase (includes capital leases)	n/a	-	
Property, plant and equipment - post-implementation without outstanding debt for original purchase	*	(283,498)	
Construction in progress	*	(59,252)	
Lease right-of-use asset pre-implementation	n/a	-	
Lease right-of-use asset post-implementation	SOFP	(7,114)	
Intangible assets		-	
Add:			
Post-employment and pension liabilities	n/a	-	
Long-term debt for long term purposes pre-implementation	**	283,059	
Long-term debt for long term purposes post-implementation	**	31,000	
Line of credit for construction in progress	n/a	-	
Pre-implementation right-of-use lease liabilities	n/a	-	
Post-implementation right-of-use lease liabilities	SOFP	7,530	
Total expendable net assets			$ 362,586
Total expenses without donor restrictions	SOA	417,587	
Add:			
Nonoperating and net investment losses	n/a	-	
Other components of net periodic pension costs	n/a	-	
Change in value of split-interest agreements	n/a	-	
Other losses	SCF	231	
Net investment losses	n/a	-	
Pension - related changes other than net periodic costs	n/a	-	
Total expenses without donor restrictions and losses without donor restrictions			$ 417,818
Primary reserve ratio			**0.87**

*See reconciliation above depicting reference back to Note 6 in the consolidated financial statements.

**See reconciliation above depicting reference back to the consolidated statement of financial position.

***For informational purposes only, the net assets with donor restrictions: other for purpose or time, totaled $194,153 as of May 31, 2023.

University of San Francisco
Schedule of Financial Responsibility Ratios (Continued)
Year Ended May 31, 2023

Equity Ratio Calculation	Reference	Year ended May 31, 2023 (In thousands)	
Net assets without donor restrictions	SOA	$ 536,252	
Net assets with donor restrictions	SOA	454,557	
		990,809	
Less:			
Lease right-of-use assets pre-implementation	n/a	-	
Intangible assets	n/a	-	
Unsecured related-party receivables	Note 13	(52)	
Unsecured related-party other assets	n/a	-	
Add:			
Pre-implementation right-of-use lease liabilities	n/a	-	
Modified net assets			$ 990,757
Total assets	SOFP	$ 1,419,560	
Less:			
Lease right-of-use assets pre-implementation	n/a	-	
Intangible assets	n/a	-	
Unsecured related-party receivables	Note 13	(52)	
Unsecured related-party other assets	n/a	-	
Modified assets			$ 1,419,508
Equity ratio			**0.70**

Net Income Ratio Calculation	Reference	Year ended May 31, 2023 (In thousands)	
Change in net assets without donor restrictions	SOA		$ (13,138)
Total operating revenue, gains, and other support without donor restrictions	SOA	$ 404,449	
Add:			
Investment return appropriated for spending (without donor restriction)	n/a	-	
Nonoperating revenue and other gains (without donor restriction)	n/a	-	
Total revenue and gains without donor restrictions			$ 404,449
Net income ratio			**(0.03)**

University of San Francisco
Schedule of Financial Responsibility Ratios (Continued)
Year Ended May 31, 2023

Step 1: Calculate the strength factor score for each ratio by using the following algorithms:

Primary Reserve strength factor score = 10 x the primary reserve ratio result
Equity strength factor score = 6 x the equity ratio result

Negative net income ratio result:	Net Income strength factor = 1 + (25 x net income ratio result)
Positive net income ratio result:	Net income strength factor = 1 + (50 x net income ratio result)
Zero result for net income ratio:	Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

Step 2: Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores

Primary Reserve weighted score = 40% x the primary reserve strength factor score
Equity weighted score = 40% x the equity strength factor score
Net Income weighted score = 20% x the net income strength factor score
Composite Score = the sum of all weighted scores
Round the composite score to one digit after the decimal point to determine the final score

	Year Ended May 31, 2023			
RATIO DESCRIPTION	Ratio	Strength Factor	Weight	Composite Scores
Primary Reserve Ratio	0.87	3.0	40%	1.2
Equity Ratio	0.70	3.0	40%	1.2
Net Income Ratio	(0.03)	0.2	20%	0.0
Composite Score				2.4

University of San Francisco
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023
(In thousands)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
Student Financial Assistance Cluster - U.S. Department of Education and U.S. Department of Health and Human Services:				
Federal Supplemental Educational Opportunity Grants	84.007			$ 1,852
Federal Work-Study Program	84.033			1,211
Federal Pell Grant Program	84.063			8,607
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379			63
Total Student Financial Assistance Awards				11,733
Federal Perkins Loan Program	84.038			3,315
Federal Direct Student Loans	84.268			112,171
Nurse Faculty Loan Program	93.264			472
Nursing Student Loans	93.364			830
Total Student Financial Assistance Loan Programs				116,788
Total Student Financial Assistance Cluster				128,521
TRIO Cluster - U.S. Department of Education:				
Office of Assistant Secretary for Postsecondary Education:				
TRIO - Talent Search	84.044			276
Total TRIO Cluster				276
COVID-19 - Education Stabilization Fund - U.S. Department of Education:				
COVID-19- Higher Education Emergency Relief Fund				
Institutional Portion, Student portion, and Minority Serving Institution portion	84.425 E,F & L			25
Total Education Stabiliation Fund				25

(continued to next page)

See accompanying notes to schedule of expenditures of federal awards.

University of San Francisco
Schedule of Expenditures of Federal Awards (Continued)
Year Ended May 31, 2023
(In thousands)

(continued from previous page)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
Research and Development Cluster:				
National Science Foundation:				
Direct Awards:				
Polar Programs	47.078		$ 12	39
Mathematical and Physical Sciences	47.049			129
Geosciences	47.050			32
Biological Sciences	47.074			115
Social, Behavorial, and Economic Sciences	47.075			73
Education and Human Resources	47.076			174
Computer and Information Science and Engineering	47.070			25
Total Direct Awards			12	587
Total National Science Foundation			12	587
U.S. Department of Health and Human Services:				
Direct Awards:				
Allergy and Infectious Disease Research	93.855		78	152
Biomedical Research and Research Training	93.859			148
Child Health and Human Development Extramural Research	93.865			87
Alcohol Research Programs	93.273			60
Total U.S. Department of Health and Human Services			78	447
U.S. Department of Commerce:				
Pass-Through Awards:				
National Oceanic Atmospheric Administration				
Marine Mammal Data Program	11.439	A20-0284-S002 P0730135	-	21
Total U.S. Department of Commerce			-	21
Total Research and Development Cluster			90	1,055

(continued to next page)

University of San Francisco
Schedule of Expenditures of Federal Awards
Year Ended May 31, 2023
(In thousands)

(continued from previous page)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services - National Institutes of Health:				
Direct Awards:				
Advanced Nursing Education Workforce	93.247			547
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925			650
Total Direct Awards				1,197
Total U.S. Department of Health and Human Services				1,197
National Aeronautics and Space Administration:				
Pass-Through Awards:				
Aerospace Education Services Program				
Space Telescope Science Institute	43.001	HST-GO-15867.001-A		16
Jet Propulsion Laboratory	43.001	1678929		41
Total National Aeronautics and Space Administration				57
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 90	$ 131,131

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University of San Francisco (the "University") under programs of the federal government for the year ended May 31, 2023. The information in this Schedule is presented in accordance with the cost principles contained in the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Loan Programs Administered by the University

The federal student loan programs listed below are administered directly by the University, and balances and transactions relating to these programs are included in the University's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at May 31, 2023, consisted of:

Federal Assistance Listing Number	Program Name	Outstanding Balance at May 31, 2023
84.038	Federal Perkins Loan Program	$2,762,215
93.264	Nurse Faculty Loan Program	$386,834
93.364	Nursing Student Loans	$677,545

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
University of San Francisco

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards (“Government Auditing Standards”)* issued by the Comptroller General of the United States, the consolidated financial statements of the University of San Francisco (the “University”), which comprise the consolidated statement of financial position as of May 31, 2023, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 29, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the University’s internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
September 29, 2023

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Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Trustees
University of San Francisco

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the University of San Francisco's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2023. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended May 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *("Government Auditing Standards")*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the University's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
September 29, 2023

University of San Francisco
Schedule of Findings and Questioned Costs
Year Ended May 31, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	*Unmodified*	
Internal control over financial reporting:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Noncompliance material to financial statements noted?	☐ Yes	☒ No

Federal Awards

Internal control over major federal programs:		
• Material weakness(es) identified?	☐ Yes	☒ No
• Significant deficiency(ies) identified?	☐ Yes	☒ None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐ Yes	☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

Federal Assistance Listing Numbers	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
Various	Student Financial Assistance Cluster	*Unmodified*
Various	Research and Development Cluster	*Unmodified*

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee?	☒ Yes	☐ No

Section II – Financial Statement Findings

None reported

Section III – Federal Award Findings and Questioned Costs

None reported

Office of Accounting and Business Services
Lone Mountain, North 3rd Floor West 2130 Fulton Street
San Francisco, CA 94117-1080
Phone: (415) 422-2402 Fax: (415) 422-2530

Summary Schedule of Prior Audit Findings

Name of Auditee: University of San Francisco
Period Covered by the Audit: June 1, 2021 – May 31, 2022
Name of Audit Firm: Moss Adams LLP

FINDING 2022-001 – REPORTING: SIGNIFICANT DEFICIENCY

Criteria: The U.S. Department of Education (ED) directs each institution to publicly post certain information related to the Emergency Financial Aid Grants to students directly on their website. Institutions must publicly post their report no later than 30 days after the publication of the notice or 30 days after the date ED first obligated the funds under HEERF I, II, or III to the institution for Emergency Financial Aid Grants to Students, whichever comes later. The report must be updated no later than 10 days after the end of each calendar quarter (September 30, December 31, March 31, and June 30). The following are identified as critical information for the *Quarterly Public Reporting for Student Aid Portion* for the CARES (a)(1) subprogram and the CRRSAA and ARP (a)(1) subprograms: 1) the total amount of Emergency Financial Aid Grants distributed to students as of the date of submission for each program, 2) the estimated total number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students under each program, 3) the total number of students who received an Emergency Financial Aid Grants to students for each program, and 4) the method(s) used by the institution to determine which students receive Emergency Financial Aid Grants and how much they would receive under each program.

Condition/Context: For the year ended May 31, 2022, the University filed four Quarterly Public Reports for Student Aid Portion. We selected all four reports for testing and noted that three (related to the quarters June 30, 2021, December 31, 2021, and March 31, 2022) were posted to the University's website after the required posting deadline.

Status: The Corrective Action Plan for the June 1, 2021 – May 31, 2022, audit period was adhered to, as the Higher Education Emergency Relief Fund (HEERF) task force was reestablished. The task force was inclusive of the Office of Contracts and Grants, Financial Aid Office, and Accounting and Business Services. In an effort to get ahead of quarterly and annual HEERF reporting requirements, the task force proactively collaborated ahead of respective reporting deadlines to ensure there was proper oversight and collection of reporting data. USF has been compliant with all HEERF reporting requirements.

Desmond Dair
Associate Vice President
Accounting & Business Services

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