



**Financial Statements and
Independent Auditor's Report**

May 31, 2024 and 2023



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University of St. Francis
Table of Contents
May 31, 2024 and 2023

	<u>Page(s)</u>
Independent Auditor’s Report.....	3-5
Financial Statements	
Statements of Financial Position.....	6
Statements of Activities.....	7-8
Statements of Functional Expenses.....	9-10
Statements of Cash Flows.....	11
Notes to Financial Statements	12-40

1415 West Diehl Road, Suite 400
Naperville, IL 60563
630.566.8400

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
University of St. Francis
Joliet, Illinois

Opinion

We have audited the accompanying financial statements of University of St. Francis (the University) (a nonprofit organization), which comprise the statement of financial position as of May 31, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of May 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of University of St. Francis as of May 31, 2023 were audited by Sikich LLP, whose report dated October 12, 2023, expressed an unmodified opinion of those financial statements. Effective as of April 30, 2024, Sikich LLP reorganized and transferred its attest practice to Sikich CPA LLC, a Virginia limited liability company.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the University adopted new accounting guidance as issued by the Financial Accounting Standards Board (FASB) under Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 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 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024 on our consideration of the University'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's internal control over financial reporting and compliance.

Sikich CPA LLC

Naperville, Illinois
October 10, 2024

Financial Statements

University of St. Francis
Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 651,830	\$ 355,411
Investments available for operations	6,338,821	10,450,438
Student accounts receivable, net of allowance of \$1,308,000 in 2024 and \$1,486,000 in 2023	1,101,385	1,491,919
Other receivables	908,362	355,364
Prepaid expenses and other assets	378,159	502,087
Contributions receivable, net of allowance of \$15,000 in 2024 and \$31,000 in 2023	248,706	2,060,106
Restricted cash	771,614	683,081
Restricted investments	2,023,198	1,595,377
Real estate held for investment	1,180,000	1,130,000
Student loans receivable, net of allowance of \$50,000	220,164	355,603
Interest rate swap agreements	3,939,696	3,742,440
Operating lease right-of-use assets	2,288,235	2,199,922
Finance lease right-of-use assets	349,963	-
Property and equipment, net of accumulated depreciation of \$63,688,126 in 2024 and \$59,742,391 in 2023	47,321,539	49,196,801
Investments designated for endowment	14,330,224	12,146,002
Beneficial interest in perpetual trust	2,608,843	2,367,942
Investments restricted to endowment	14,387,594	13,197,185
Total Assets	\$ 99,048,333	\$ 101,829,678
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 1,070,342	\$ 1,443,484
Accrued expenses	1,657,471	2,051,670
Deferred revenue	2,351,098	2,748,701
Operating lease liabilities	2,568,883	2,527,506
Finance lease liabilities	349,963	-
Other liabilities	1,861,450	1,358,847
Bonds and note payable, net of unamortized debt issuance costs of \$266,115 in 2024 and \$280,899 in 2023	30,013,889	31,447,899
U.S. Government student loan funds	257,196	355,449
Total liabilities	40,130,292	41,933,556
Net Assets		
Without donor restrictions		
Undesignated	21,330,651	25,333,615
Board designated for endowment	14,330,224	12,146,002
Total net assets without donor restrictions	35,660,875	37,479,617
With donor restrictions	23,257,166	22,416,505
Total net assets	58,918,041	59,896,122
Total Liabilities and Net Assets	\$ 99,048,333	\$ 101,829,678

See accompanying notes to financial statements.

University of St. Francis

Statement of Activities

Year Ended May 31, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Tuition and fees	\$ 55,506,390	\$ -	\$ 55,506,390
Less scholarships and aid	(22,276,408)	-	(22,276,408)
Net tuition and fees	33,229,982	-	33,229,982
Contributions	1,435,937	1,069,792	2,505,729
Grants and contracts	-	2,522,431	2,522,431
Distribution from trusts held by others	-	173,273	173,273
Investment return	1,634,802	1,152,234	2,787,036
Auxiliary enterprises	4,105,765	-	4,105,765
Other income	290,595	42,056	332,651
Net assets released from restrictions	4,879,706	(4,879,706)	-
Total revenues, gains, and other support	45,576,787	80,080	45,656,867
Expenses			
Instruction	16,251,428	-	16,251,428
Academic support	7,228,033	-	7,228,033
Student services	9,328,331	-	9,328,331
Auxiliary enterprises	4,296,636	-	4,296,636
Total educational program services	37,104,428	-	37,104,428
Institutional support	10,050,179	-	10,050,179
Fundraising	989,807	-	989,807
Total supporting services	11,039,986	-	11,039,986
Total expenses	48,144,414	-	48,144,414
Change in Net Assets Before Other Revenues (Expenses)	(2,567,627)	80,080	(2,487,547)
Other Revenues (Expenses)			
Unrealized investment gain	504,688	519,680	1,024,368
Unrealized gain on real estate held for investment	50,000	-	50,000
Change in fair value of interest rate swap agreements	197,256	-	197,256
Change in value of split-interest agreements	(3,059)	240,901	237,842
Total other revenues (expenses)	748,885	760,581	1,509,466
Change in Net Assets	(1,818,742)	840,661	(978,081)
Net Assets, Beginning of Year	37,479,617	22,416,505	59,896,122
Net Assets, End of Year	\$ 35,660,875	\$ 23,257,166	\$ 58,918,041

(This statement is continued on the following page.)

University of St. Francis
Statement of Activities (Continued)
Year Ended May 31, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Tuition and fees	\$ 58,138,526	\$ -	\$ 58,138,526
Less scholarships and aid	(22,661,704)	-	(22,661,704)
Net tuition and fees	35,476,822	-	35,476,822
Contributions	2,099,385	1,741,740	3,841,125
Grants and contracts	-	3,950,427	3,950,427
Distribution from trusts held by others	-	140,182	140,182
Investment return	965,360	675,844	1,641,204
Auxiliary enterprises	4,176,780	-	4,176,780
Other income	228,677	42,106	270,783
Loss on disposals of property	(282,737)	-	(282,737)
Net assets released from restrictions	1,924,511	(1,924,511)	-
Total revenues, gains, and other support	44,588,798	4,625,788	49,214,586
Expenses			
Instruction	16,799,374	-	16,799,374
Academic support	6,502,791	-	6,502,791
Student services	8,920,156	-	8,920,156
Auxiliary enterprises	4,197,458	-	4,197,458
Total educational program services	36,419,779	-	36,419,779
Institutional support	9,470,052	-	9,470,052
Fundraising	1,114,224	-	1,114,224
Total supporting services	10,584,276	-	10,584,276
Total expenses	47,004,055	-	47,004,055
Change in Net Assets Before Other Revenues (Expenses)	(2,415,257)	4,625,788	2,210,531
Other Revenues (Expenses)			
Unrealized investment loss	(826,077)	(825,094)	(1,651,171)
Unrealized loss on real estate held for investment	(20,000)	-	(20,000)
Change in fair value of interest rate swap agreements	708,225	-	708,225
Change in value of split-interest agreements	(4,580)	(172,406)	(176,986)
Total other revenues (expenses)	(142,432)	(997,500)	(1,139,932)
Change in Net Assets	(2,557,689)	3,628,288	1,070,599
Net Assets, Beginning of Year	40,037,306	18,788,217	58,825,523
Net Assets, End of Year	\$ 37,479,617	\$ 22,416,505	\$ 59,896,122

See accompanying notes to financial statements.

University of St. Francis
Statement of Functional Expenses
Year Ended May 31, 2024

	Educational Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary	Total Educational Program Services	Institutional Support	Fundraising	Total Supporting Services	Total
Labor									
Salaries	\$ 9,816,584	\$ 3,897,235	\$ 3,763,021	\$ 542,985	\$ 18,019,825	\$ 3,213,450	\$ 435,505	\$ 3,648,955	\$ 21,668,780
Payroll taxes	745,168	255,574	258,676	31,460	1,290,878	221,602	27,533	249,135	1,540,013
Medical & HSA expense	1,315,046	636,975	771,937	153,314	2,877,272	565,007	61,122	626,129	3,503,401
403(b) employer match	455,006	225,448	214,346	23,354	918,154	249,208	25,450	274,658	1,192,812
Other benefits	-	-	-	-	-	756,221	-	756,221	756,221
Total labor	12,331,804	5,015,232	5,007,980	751,113	23,106,129	5,005,488	549,610	5,555,098	28,661,227
Operating Expenses (non-labor)									
Accreditation	10,015	39,939	-	-	49,954	1,154	-	1,154	51,108
Advertising	3,215	14,537	559	236	18,547	190,329	-	190,329	208,876
Bad debt	-	-	-	-	-	331,343	-	331,343	331,343
Business insurance	12,924	-	166,430	-	179,354	475,808	-	475,808	655,162
Conferences and professional development	5,988	50,672	18,614	1,108	76,382	7,083	822	7,905	84,287
Contractual services	884,375	648,923	873,757	478,751	2,885,806	1,270,876	75,538	1,346,414	4,232,220
Equipment	28,714	3,951	8,398	3,837	44,900	6,884	38	6,922	51,822
Facility and equipment lease	163,183	72,375	311,239	275,576	822,373	58,788	34,347	93,135	915,508
Fees	9,236	4,029	75,651	5,179	94,095	247,501	19,515	267,016	361,111
Food	17,452	21,725	178,306	1,225,469	1,442,952	60,582	82,651	143,233	1,586,185
Interest	156,232	69,332	94,617	92,646	412,827	54,495	987	55,482	468,309
Memberships	10,557	36,923	99,963	-	147,443	126,861	787	127,648	275,091
Postage	898	1,565	32,055	74	34,592	33,551	11,634	45,185	79,777
Property taxes	-	-	-	66,419	66,419	-	-	-	66,419
Publications	2,947	188,162	7,787	-	198,896	10,606	35,522	46,128	245,024
Purchased mailing lists	-	-	1,500	-	1,500	49,104	-	49,104	50,604
Rental equipment	5,043	2,872	11,789	85,794	105,498	4,159	32,294	36,453	141,951
Repairs and maintenance	46,342	16,336	23,882	26,210	112,770	29,665	229	29,894	142,664
Software licensing	8,299	42,971	18,789	1,599	71,658	810,275	17	810,292	881,950
Sponsorship and community support	-	940	7,238	-	8,178	34,410	-	34,410	42,588
Supplies	62,302	55,268	355,446	86,485	559,501	132,727	42,907	175,634	735,135
Telephone	3,612	1,617	7,150	2,694	15,073	25,881	22	25,903	40,976
Travel	60,704	69,633	335,880	9	466,226	15,956	3,259	19,215	485,441
Utilities	510,768	226,665	344,841	317,625	1,399,899	367,409	3,226	370,635	1,770,534
Other	526,646	27,444	504,545	29,408	1,088,043	214,339	87,622	301,961	1,390,004
Depreciation and amortization	1,390,172	616,922	841,915	846,404	3,695,413	484,905	8,780	493,685	4,189,098
Total operating expenses (non-labor)	3,919,624	2,212,801	4,320,351	3,545,523	13,998,299	5,044,691	440,197	5,484,888	19,483,187
Total Expenses	\$ 16,251,428	\$ 7,228,033	\$ 9,328,331	\$ 4,296,636	\$ 37,104,428	\$ 10,050,179	\$ 989,807	\$ 11,039,986	\$ 48,144,414

(This statement is continued on the following page.)

University of St. Francis
Statement of Functional Expenses (Continued)
Year Ended May 31, 2023

	Educational Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary	Total Educational Program Services	Institutional Support	Fundraising	Total Supporting Services	Total
Labor									
Salaries	\$ 10,342,372	\$ 3,637,994	\$ 3,575,184	\$ 520,672	\$ 18,076,222	\$ 3,057,131	\$ 425,487	\$ 3,482,618	\$ 21,558,840
Payroll taxes	761,102	244,492	238,272	29,457	1,273,323	204,945	25,743	230,688	1,504,011
Medical and HSA expense	1,170,877	604,503	683,946	121,887	2,581,213	474,431	67,708	542,139	3,123,352
403(b) employer match	481,968	210,062	212,449	22,410	926,889	225,025	24,748	249,773	1,176,662
Other benefits	-	-	1,277	-	1,277	717,977	-	717,977	719,254
Total labor	12,756,319	4,697,051	4,711,128	694,426	22,858,924	4,679,509	543,686	5,223,195	28,082,119
Operating Expenses (non-labor)									
Accreditation	10,124	78,159	-	-	88,283	2,975	-	2,975	91,258
Advertising	953	30,733	500	157	32,343	211,786	-	211,786	244,129
Bad debt	-	-	-	-	-	252,514	-	252,514	252,514
Business insurance	11,961	-	171,649	-	183,610	492,861	318	493,179	676,789
Conferences and professional development	7,919	30,527	9,900	390	48,736	117,019	3,103	120,122	168,858
Contractual services	1,016,887	361,682	689,854	582,915	2,651,338	1,049,519	159,506	1,209,025	3,860,363
Equipment	45,423	4,269	28,985	5,573	84,250	8,065	59	8,124	92,374
Facility and equipment lease	189,646	84,160	367,876	222,596	864,278	66,150	1,198	67,348	931,626
Fees	10,004	4,867	65,183	7,739	87,793	229,217	16,487	245,704	333,497
Food	20,029	19,611	158,832	1,335,321	1,533,793	55,492	51,160	106,652	1,640,445
Interest	163,169	72,410	98,818	96,760	431,157	56,915	1,031	57,946	489,103
Memberships	11,398	31,802	95,328	200	138,728	147,177	635	147,812	286,540
Postage	1,011	3,315	56,004	169	60,499	44,459	20,350	64,809	125,308
Property taxes	-	-	-	64,789	64,789	-	-	-	64,789
Publications	5,356	175,683	5,470	-	186,509	8,119	20,248	28,367	214,876
Purchased mailing lists	-	-	1,500	-	1,500	67,469	-	67,469	68,969
Rental equipment	5,515	3,085	17,367	33,872	59,839	4,324	2,738	7,062	66,901
Repairs and maintenance	91,128	36,583	65,472	52,825	246,008	69,404	521	69,925	315,933
Software licensing	22,265	11,486	19,479	1,343	54,573	817,895	14	817,909	872,482
Sponsorship and community support	-	-	-	-	-	40,980	-	40,980	40,980
Supplies	655,750	63,341	389,210	77,235	1,185,536	139,030	28,046	167,076	1,352,612
Telephone	4,027	1,787	7,170	3,359	16,343	19,014	25	19,039	35,382
Travel	38,052	38,279	379,557	963	456,851	34,084	1,894	35,978	492,829
Utilities	305,103	135,397	271,350	199,641	911,491	281,520	1,927	283,447	1,194,938
Other	49,286	7,023	474,953	-	531,262	93,879	252,575	346,454	877,716
Depreciation and amortization	1,378,049	611,541	834,571	817,185	3,641,346	480,676	8,703	489,379	4,130,725
Total operating expenses (non-labor)	4,043,055	1,805,740	4,209,028	3,503,032	13,560,855	4,790,543	570,538	5,361,081	18,921,936
Total Expenses	\$ 16,799,374	\$ 6,502,791	\$ 8,920,156	\$ 4,197,458	\$ 36,419,779	\$ 9,470,052	\$ 1,114,224	\$ 10,584,276	\$ 47,004,055

See accompanying notes to financial statements.

University of St. Francis
Statements of Cash Flows
For Fiscal Year 2024 as of May 31, 2024

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	\$ (978,081)	\$ 1,070,599
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	4,189,098	4,130,725
Loss on disposals of property	-	282,737
(Cash paid in excess of operating lease expense) non-cash operating lease expense	(46,936)	327,584
Bad debt expense	331,343	252,514
Change in contributions receivable discount	5,670	(990)
Perkins loans cancellations and adjustments	4,763	453,434
Net realized and unrealized (gains) losses on investments	(2,623,132)	952,246
Change in beneficial interest in perpetual trust	(240,901)	172,406
Change in fair value of interest rate swap agreements	(197,256)	(708,225)
Actuarial loss on annuity obligations	3,059	3,062
Contributions restricted for long-term investment	(327,069)	(689,600)
Changes in operating assets and liabilities		
Student accounts receivable	59,191	(313,502)
Other receivables	(552,998)	(13,870)
Prepaid expenses	123,928	(65,096)
Contributions receivable	1,775,081	(1,471,541)
Accounts payable	(373,142)	13,299
Accrued expenses	(394,199)	(92,558)
Deferred revenue	(397,603)	(269,651)
Other liabilities	510,977	(216,465)
Net Cash Provided by Operating Activities	871,793	3,817,108
Cash Flows from Investing Activities		
Purchases of property and equipment	(2,277,024)	(1,021,131)
Purchases of investments	(45,703,680)	(35,910,690)
Proceeds from sales and maturities of investments	48,585,977	33,822,306
Principal payments received on student loans	130,676	(61,142)
Net Cash Provided by (Used in) Investing Activities	735,949	(3,170,657)
Cash Flows from Financing Activities		
Payments on capital lease obligations	(6,161)	(99,689)
Payments on finance lease liabilities	(22,028)	-
Payments on bonds and note payable	(1,448,794)	(1,440,053)
Payments on annuities payable	(5,272)	(5,272)
Payments on U.S. Government student loan funds	(98,253)	(380,998)
Proceeds from contributions restricted for long-term investment	354,968	741,682
Proceeds from contributions restricted for acquisition of long-lived assets	2,750	7,742
Net Cash Used in Financing Activities	(1,222,790)	(1,176,588)
Net Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	384,952	(530,137)
Cash and Cash Equivalents and Restricted Cash Beginning of Year	1,038,492	1,568,629
Cash and Cash Equivalents and Restricted Cash End of Year	\$ 1,423,444	\$ 1,038,492
Supplemental Cash Flows Information		
Interest paid	\$ 461,314	\$ 483,990

See accompanying notes to financial statements.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

University of St. Francis (the University) is a private, not-for-profit, Catholic university rooted in the liberal arts and sciences located in Joliet, Illinois, and is comprised of the Colleges of Arts & Sciences, Business & Health Administration, and Education and the Cecily and John Leach College of Nursing. The University is a welcoming community of learners challenged by Franciscan values and charisma that strives for academic excellence in all programs, preparing women and men to contribute to the world through service and leadership. The University's revenues and other support are derived principally from tuition and fees, auxiliary revenue, contributions, and federal and state grants. The University also maintains a campus in Albuquerque, New Mexico, which offers graduate degree programs in both physician assistant studies and nursing (family nurse practitioner). In addition, the University operates adult undergraduate and graduate studies programs at various locations across the United States of America.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (USGAAP) 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 financial statements and the reported amounts of revenue, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents and Restricted Cash

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. At May 31, 2024 and 2023, cash equivalents consisted primarily of money market funds.

At May 31, 2024 and 2023, the University's cash accounts exceeded federally insured limits by approximately \$1,683,000 and \$561,000, respectively. The University does not believe these funds to be at substantial risk of loss due to the lack of federal insurance coverage and has not experienced any loss due to the credit risk.

Cash and cash equivalents awaiting longer-term investing are considered part of investments in the accompanying financial statements.

The balance of the Federal Perkins Loan revolving fund and Nurse Faculty Loan fund, consisting of cash awaiting to be loaned to students, are maintained in separate, restricted bank accounts. The balance of the Illinois Certification Board CADC fund, consists of cash that must be held in a separate, interest-bearing, restricted bank account.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position to the amount of cash and cash equivalents and restricted cash reported within the statements of cash flows as of May 31.

	2024	2023
Cash and cash equivalents	\$ 651,830	\$ 355,411
Restricted cash	771,614	683,081
Total	<u>\$ 1,423,444</u>	<u>\$ 1,038,492</u>

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Student Accounts, Loans Receivable, and Other Receivables

Student accounts receivable are stated at the amount billed to students, less applied scholarships and loan proceeds, plus any accrued and unpaid interest. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. Subsequent recoveries, if any, are credited to the allowance. The University determined that similar risk characteristics existed for receivables with similar days outstanding, so that the pools for which the allowance for credit losses was calculated were based on aging buckets. This is consistent with the methodology under the previous incurred loss model, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions. In addition, the following factors will be considered in making qualitative adjustments: student accounts in repayment versus those in nonpaying status; delinquency status; past experience; current conditions and reasonable and supportable forecasts, using graduation rates, inflation and other relevant qualitative factors.

Tuition and fees are generally due at the beginning of the term unless the student has established a payment plan. Student accounts that do not have an established payment plan are considered past due after the second published due date (this date varies but is approximately two to three weeks after classes begin). A late fee is charged to all accounts not paid in full or enrolled in a payment plan by that date. In addition, accounts with balances due from a prior term bear interest at 1% per month. Charges that are past due without any payments for approximately three consecutive months are considered delinquent. Delinquent accounts are sent to collections and subsequently written off based on individual credit evaluation and specific circumstances of the student.

Student loans receivable consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Loans that are past due for at least one payment are considered delinquent. Interest is accrued on loans with a delinquent balance greater than nine months. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

Other receivables consist of federal direct loans, grant funds, and other amounts due from third parties. Other receivables are stated at the amount management expects to collect from outstanding balances. The University has determined that no allowance for credit losses on other receivables is required at May 31, 2024 and 2023.

Restricted Investments

Contributions restricted for deferred compensation and a significant grant received for future scholarship awards are displayed as a component of restricted investments.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at fair value. Investment return is reported net in the statements of activities and consists of dividend, interest, and other investment income, less external and direct internal investment expense; and realized and unrealized gains and losses on investments carried at fair value. Investment return is reflected in the statements of activities as income without donor restrictions, or income with donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated annually to the individual endowments based on the relationship of the beginning of the year fair value of the interest of each endowment to the total fair value of the pooled investment accounts.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The following estimated useful lives are being used by the University:

Land improvements	10-20 years
Building and improvements	5-40 years
Leasehold improvements	3-20 years
Equipment, furniture, and fixtures	3-25 years
Computer software	10 years
Library books	15 years
Motor vehicles	3-15 years

Property and equipment are capitalized when its purchase price is greater than \$2,500 and it has a useful life of more than two years. In addition, furniture and equipment items that are part of a group purchase with a useful life greater than two years may also be capitalized even though individually the items may fall under the \$2,500 threshold.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

Split-Interest Agreements

The University is the beneficiary of two trusts, the corpuses of which are not controlled by the management of the University. In the absence of donor-imposed conditions, the University recognizes its beneficial interest in a trust as a contribution in the period in which it receives notice that the trust agreement conveys an unconditional right to receive benefits.

The University also administers charitable gift annuities. Assets transferred to the University under these agreements are recorded at fair value. Contribution revenue is recognized at the date that each annuity is established, after recording a liability for the present value of the estimated future payments to be made to the beneficiary.

Deferred Revenue

Deferred revenue consists primarily of student tuition, housing, and other fees received or billed that are nonrefundable prior to the beginning of an academic term. Revenue from prepaid tuition and summer courses is deferred and recognized over the periods to which the revenue relates.

Net Assets

The accompanying financial statements have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Net Assets Without Donor Restrictions include net assets available for use in general operations and are not subject to donor-imposed restrictions. The University's Board of Trustees has designated, from net assets without donor restrictions, net assets for board designated endowment, scholarships, and capital and other projects.

Net Assets With Donor Restrictions include net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met either by actions of the University or the passage of time. They may also be subject to donor-imposed restrictions that the contribution be maintained in perpetuity and neither expire with the passage of time nor can be removed by satisfying a specific purpose. Generally, the donors of these assets permit the University to use all or part of the income earned on these assets for general or specific purposes. Such assets include primarily the University's permanent endowment.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as increases in net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as increases in net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as net assets with donor restrictions and then net assets released from restriction.

Gifts of land, buildings, equipment, and other long-lived assets are reported as changes in net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and is reported as contribution revenue.

Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Conditional gifts received prior to the satisfaction of conditions are recorded as refundable grant advances.

Grants

A portion of the University's revenue is derived from federal grants, which are conditioned upon the incurrence of allowable qualifying expenses or provided qualifying services. Amounts received are conditional and not recognized as revenue until the University has incurred the expenditures or provided services in compliance with specific contract of grant provisions. The University has received conditional promises to give totaling \$10,484,978 and \$2,213,243 as of May 31, 2024 and 2023, respectively. Of those amounts, as of May 31, 2024 and 2023, \$116,178 and \$0, of grant awards respectively, were received in advance of meeting the conditions. Such amounts are recorded within other liabilities on the statements of financial position.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Tuition and Fees

Revenues from tuition and fees are derived from education services provided to students. Generally, tuition and other fees are reported in the fiscal year in which educational programs are conducted, which is the period in which the performance obligations were completed, and revenue was earned. Tuition and fees received in the current fiscal year for the future years' programs are reported as deferred revenue in the statements of financial position.

The nature of tuition and fees give rise to variable consideration in the form of the institutional scholarships awarded to students to defray the costs of the academic programs, which reduce the transaction price (tuition and fees). Payments for tuition are due prior to the start of the academic term, whether campus or online session. Tuition and fees are recognized ratably over the academic terms. The University generally uses the time elapsed method, an input measure, as it best depicts the simultaneous consumption and delivery of services.

The University's refund policy permits students who officially withdraw by the appropriate date as published to be eligible for a refund. Refunds generally result in a reduction of deferred revenue during the period that the student drops or withdraws from a class.

Auxiliary Enterprises

The University's auxiliary enterprises exist primarily to furnish goods and services to students, faculty, and staff. Managed as essentially self-supporting activities, the auxiliary enterprises consist of residence halls and dining facilities. Payments for housing and dining services are due prior to the start of the academic term. Performance obligations are delivered over the academic terms, consequently associated revenues are earned and are recognized over the course of each term as services are delivered. The University generally uses the time elapsed method, an input measure, as it best depicts the simultaneously consumption and delivery of services. Services performed under these contracts are considered a single performance obligation; as such, services are regarded as a bundled series of distinct goods and services with the same timing and pattern of transfer to the resident. Revenue is recognized for these contracts over time as the performance obligation is satisfied by transferring control of the goods and services to the resident. Auxiliary enterprises also include revenues related to event tickets and fees, bookstore sales, and other fines and fees. Revenue for these transactions is recognized at the point in time the sale is made or fines and fees are assessed.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

Significant Judgments

The University evaluates each contract to determine the numbers of distinct performance obligations in the contract, which requires the use of judgement. Significant judgments include the methodology for recognizing revenue over the appropriate period.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and unearned revenue (contract liabilities) on the statements of financial position. Contract liabilities are reflected as deferred revenue in the statements of financial position and released as the performance obligations are met.

The opening balances for contract assets (accounts receivable) from contracts with customers at the beginning of the year were \$1,491,919 at June 1, 2023 and \$1,430,931 at June 1, 2022.

The opening balances for contract liabilities (deferred revenue) from contracts with customers at the beginning of the year were \$2,748,701 at June 1, 2023 and \$3,018,352 at June 1, 2022.

Various economic factors could affect the recognition of revenues and cash flows, including the demand for services, ability to provide services, availability of labor, and prompt payment.

Advertising Costs

The University uses advertising to promote its various programs. The production costs of advertising are expensed the first time the advertising takes place. Advertising expenses for the years ended May 31, 2024 and 2023 were \$208,876 and \$244,129, respectively.

Income Taxes

The University is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University files tax returns in the U.S. federal jurisdiction. In addition, the Internal Revenue Service has determined that the University is not a private foundation within the meaning of Section 509(a) of the IRC.

Management does not believe the University has any material uncertain tax positions. The University's 2021, 2022, and 2023 tax years are open and subject to examination by the taxing authorities. However, the University is not currently under audit, nor has the University been contacted by any of the taxing authorities.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 1 — Nature of Operations and Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses allocated include depreciation and amortization, interest, insurance, and facilities operations and maintenance (primarily maintenance salaries, contractual services, rent, utilities, and repairs and maintenance), which have been allocated among the educational program, institutional support, and fundraising categories based on the square footage of the space utilized by the different University departments. Certain employee benefit expenses have been allocated among the same categories based on the number of benefits eligible employees in the different University departments.

Leases

The University leases facilities and equipment. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets and operating lease liabilities on the statements of financial position. Finance leases are included in finance lease right-of-use (ROU) assets and finance lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating and finance lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most leases do not provide an implicit rate, the University uses an incremental borrowing rate for facility leases or a risk-free rate for equipment leases based on the information available at commencement date in determining the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that such options will be exercised. Leases with an initial term of 12 months or less are not recorded on the statements of financial position, and lease expense under short-term leases is recognized on a straight-line basis over the lease term.

The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The University has lease agreements with lease and non-lease components, which are generally accounted for separately. For facility leases, the University accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which are primarily comprised of common area maintenance, utilities, and real estate taxes that are passed on from the lessor in proportion to the space leased, are recognized as expenses in the period in which the obligation for those payments was incurred.

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 1 – Nature of Operations and Summary of Significant Accounting Policies
(Continued)

Leases (Continued)

The University has elected to apply the short-term lease exemption to leases of equipment and facilities. For the years ended May 31, 2024 and 2023, there are only a small number of leases within these classes of underlying assets that qualify for the exemption.

In evaluating contracts to determine if they qualify as a lease, the University considers factors such as if it has obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

In determining the discount rate used to measure the right-of-use asset and lease liability related to facility leases, the University use rates implicit in the lease, or if not readily available, the incremental borrowing rate, which is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the University assets. Determining a credit spread as secured by the University assets may require significant judgment.

Measure of Operations

Revenue received and expenses incurred in conducting the programs and services of the University are presented in the financial statements as operating activities. Nonoperating results include unrealized gains or losses, unrealized gain or loss on real estate held for investment, change in fair value of interest rate swap agreements, and change in value of split-interest agreements. Nonoperating activities are reported in the statements of activities as total other revenues (expenses).

New Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) *2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326)*. This standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (“CECL”) methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including accounts and loan receivables, and some off-balance sheet credit exposures such as financial guarantees and loan commitments. It also applies to net investments in leases recognized by a lessor under Topic 842. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. ASU 2016-13, as amended by ASU 2019-10, is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The University adopted the standard effective June 1, 2023. There was no material effect on the financial statements upon implementation of this new standard.

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 2 — Liquidity and Availability

The University regularly monitors liquidity required to meet both its operating needs and contractual commitments, while also striving to maximize the investment of its available funds. The University budgets annually in such a way that the student driven revenues are able to cover the total expenses for the year. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities. The University also has a line of credit of \$5,000,000 (discussed in note 8) available as of May 31, 2024, which it could draw upon in the event of an anticipated liquidity need. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers donor-restricted funds to be unavailable for general expenditures.

As of May 31, 2024 and 2023, the following table shows the total financial assets held by the University, which could be readily available within one year of the statements of financial position date:

	2024	2023
Cash and cash equivalents	\$ 651,830	\$ 355,411
Investments available for operations	6,338,821	10,450,438
Student accounts receivable, net	1,101,385	1,491,919
Other receivables	908,362	355,364
Contributions receivable, net	248,706	2,060,106
Restricted cash	771,614	683,081
Restricted investments	2,023,198	1,595,377
Student loans receivable, net	220,164	355,603
Investments designated for endowment	14,330,224	12,146,002
Beneficial interest in perpetual trust	2,608,843	2,367,942
Investments restricted to endowment	14,387,594	13,197,185
	43,590,741	45,058,428
Less those unavailable for general expenditures within one year, due to Legal, contractual or time limitations:		
Restricted cash	(771,614)	(683,081)
Restricted investments	(1,200,583)	(828,259)
Student loans receivable, net	(35,562)	(43,901)
	(2,007,759)	(1,555,241)
Board designations:	(14,330,224)	(12,146,002)
Donor restrictions:	(23,257,166)	(22,416,505)
Financial assets available to meet the cash needs for general expenditures within one year	\$ 3,995,592	\$ 8,940,680

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 3 — Contributions Receivable

Contributions receivable at May 31 consisted of the following:

	2024	2023
Due within one year	\$ 114,936	\$ 2,073,262
Due in one to five years	178,200	37,604
Due after five years	-	4,000
	293,136	2,114,866
Less		
Present value discount at 2%	(29,430)	(23,760)
Allowance for uncollectible contributions	(15,000)	(31,000)
	\$ 248,706	\$ 2,060,106

Note 4 — Investments

Investments at May 31 consisted of the following:

	2024	2023
Cash and money market funds	\$ 8,794,679	\$ 13,404,942
Common and preferred stocks	7,568,042	6,179,704
U.S. Government agency mortgage-backed securities	514,709	538,065
Corporate bonds	3,236,454	3,857,746
Equity mutual funds	487,538	144,344
Fixed income mutual funds	488,738	100,175
Equity exchange-traded funds	6,480,992	5,233,097
Fixed income exchange-traded funds	6,643,307	5,637,646
Alternative strategy mutual funds	2,865,378	2,293,283
Real estate held for investment	1,180,000	1,130,000
	\$ 38,259,837	\$ 38,519,002

Investments are reflected in the statements of financial position as follows:

	2024	2023
Investments available for operations	\$ 6,338,821	\$ 10,450,438
Restricted investments	2,023,198	1,595,377
Real estate held for investment	1,180,000	1,130,000
Investments designated for endowment	14,330,224	12,146,002
Investments restricted to endowment	14,387,594	13,197,185
	\$ 38,259,837	\$ 38,519,002

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 4 — Investments (Continued)

Investments are restricted for the following at May 31:

	2024	2023
Scholarships	\$ 822,615	\$ 767,118
Deferred compensation	1,200,583	828,259
	\$ 2,023,198	\$ 1,595,377

Note 5 — Student Loans Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins Loan program. These loan amounts represent 0.22% and 0.35% of total assets as of May 31, 2024 and 2023, respectively. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. Of these amounts, as of May 31, 2024 and 2023, \$35,562 and \$43,901, respectively, were not in repayment status (that is, the borrowers were not yet required to make payment). Most loans that are in repayment status are collected over a period of ten years.

Allowances for credit losses are established based on prior collection experience, current economic factors, and specific circumstances of the borrower which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. Under this Federal loan program, the federal government bears the risk of loss of uncollectible loans provided the University performs required collection due diligence procedures, therefore affecting the determination of the needed allowance for credit losses. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

An allowance for credit losses has been established at \$50,000 for the years ended May 31, 2024 and 2023.

The following amounts were past due under the Federal student loan program at May 31:

	In Default				
	Less than 270 Days	More Than 270 Days and Less Than 2 Years	More Than 2 Years, Up to 5 Years	More Than 5 Years	
2024	\$ 24,993	\$ -	\$ 79,913	\$ -	\$ 104,906
2023	\$ 46,374	\$ 63,897	\$ 78,745	\$ 2,828	\$ 191,844

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 5 — Student Loans Receivable (Continued)

The availability of funds under this federal loan program is dependent on reimbursement of the loan fund from repayments on outstanding loans. Funds advanced by the federal government totaled \$257,196 and \$355,449 as of May 31, 2024 and 2023, respectively. These advances are ultimately refundable to the federal government and are classified as other liabilities in the statements of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government.

The authority to make new Perkins Loans ended September 30, 2017, with disbursements permitted through June 30, 2018, for students with existing Perkins Loans. The University will be required to return the federal contribution and may continue servicing their Perkins Loans or assign the Perkins Loans to the Department of Education.

Note 6 — Property and Equipment

Property and equipment at May 31 consists of:

	2024	2023
Land and land improvements	\$ 15,417,959	\$ 14,842,031
Buildings and building and leasehold improvements	77,118,337	76,625,674
Equipment, furniture, and fixtures	17,254,974	16,396,920
Administrative computer software	714,972	714,972
Library books	81,997	81,997
Motor vehicles	183,856	277,598
Construction in progress	237,570	-
	111,009,665	108,939,192
Less accumulated depreciation and amortization	(63,688,126)	(59,742,391)
	\$ 47,321,539	\$ 49,196,801

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing, except for construction costs paid through restricted contributions. As a result, no interest was capitalized for the years ended May 31, 2024 and 2023. Total interest incurred each year was:

	2024	2023
Interest costs charged to expense	\$ 473,261	\$ 489,103
Total interest incurred	\$ 473,261	\$ 489,103

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 7 — Beneficial Interest in Perpetual and Revocable Trusts

The University is the beneficiary under a perpetual trust administered by an outside party. Under the terms of the trust, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is \$2,608,843 and \$2,367,942, which represents the fair value of the trust assets at May 31, 2024 and 2023, respectively. The income from this trust for 2024 and 2023 was \$119,723 and \$140,182, respectively.

The University is also the sole beneficiary under a trust administered by a bank. The assets of this trust are not included in the statements of financial position of the University since the trust is revocable at the discretion of the trustee. The income from this trust for 2024 and 2023 was \$53,550 and \$58,200, respectively.

Note 8 — Annuities Payable

The University has been the recipient of charitable gift annuities which require future payments to the donor. The University has recorded a liability at May 31, 2024 and 2023 of \$36,271 and \$38,484, respectively, which represents the present value of the future annuity obligations and is included with other liabilities in the statements of financial position. The liability has been determined using a discount rate of 3.0% at May 31, 2024 and 2023, respectively, and applicable mortality tables.

Note 9 — Bonds and Notes Payable and Line of Credit

Bonds and notes payable and line of credit obligations at May 31 consist of the following:

	2024	2023
<p>2020 Illinois Finance Authority Revenue Bond; interest varies, is 80% of the one-month USD-LIBOR-BBA rate plus 0.89%, and is reset monthly, rates ranged from 1.79% to 4.94% in 2023, maturing through May 31, 2042, payable in monthly installments beginning May 1, 2020, ranging from \$1,922,156 to \$1,927,372 annually. The bonds are unsecured with a negative pledge on all business assets. On June 30, 2023, LIBOR was replaced with a rate equal to the sum of CME Term SOFR and a spread adjustment for one-month interest periods of 0.11448%.</p>	\$ 30,280,004	\$ 31,728,798
Total bonds and notes payable	30,280,004	31,728,798
Less unamortized debt issuance costs	(266,115)	(280,899)
Total net bonds and notes payable	\$ 30,013,889	\$ 31,447,899

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 9 — Bonds and Notes Payable and Line of Credit (Continued)

The bonds are subject to mandatory tender for purchase on each purchase date, as defined in the bond and loan agreement, at which time the bond may be retained by the initial purchaser, remarketed to a new purchaser, or purchased by the University. The next purchase date on which the bonds are subject to mandatory tender for purchase is April 1, 2030. The interest rate on the bonds will be adjusted at that time.

The bond and term loan agreements contain certain covenants, including continuation of use of University facilities for educational purposes, maintenance of insurance policies, and availability of certain financial records. In addition, the agreements require the University to maintain certain financial ratios related to debt service coverage and liquidity. As of May 31, 2024 and 2023, the University believes it is in compliance with these covenants and ratios.

As of May 31, 2024, the University has \$5,000,000 available on an unsecured line of credit with a local bank with an expiration date of June 30, 2025. As of May 31, 2024 and 2023, the interest rate of 8.5% and 8.25%, respectively, on the line of credit is the prime rate. There was no outstanding balance at May 31, 2024 and 2023.

Aggregate annual maturities of bonds and notes payable and the line of credit at May 31, 2024, are:

	Bonds and Notes Payable
2025	\$ 1,472,498
2026	1,495,279
2027	1,518,406
2028	1,540,856
2029	1,565,732
Thereafter	22,687,233
	\$ 30,280,004

Note 10 — Derivative Financial Instruments - Interest Rate Swap Agreements

In April of 2020, the University entered into an interest rate swap agreement for the variable rate bond. The interest rate swap agreement associated with the bond provides for the University to receive interest from the counterparty at 80% SOFR + 9.158 and to pay interest to the counterparty at a fixed rate of 0.6100% on a notional amount of \$30,292,060 at May 31, 2024.

Under the agreement, the University pays or receives the net interest amount monthly, with the monthly settlements included in interest expense. The agreement is recorded at fair value with subsequent changes in fair value included in other revenues or expenses.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 11 — Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at May 31 are available for the following purposes or periods:

	2024		2023
Subject to expenditure for specified purpose			
Scholarships	\$ 1,707,761	\$	1,323,923
Educational programs and other	4,455,422		5,412,537
Property and equipment purchases	47,045		39,334
	<u>6,210,228</u>		<u>6,775,794</u>
Endowments			
Subject to appropriation and expenditure when specified events occur			
Restricted by donor for			
Scholarships	3,112,632		2,252,276
Faculty development and other programs	365,589		251,567
Prizes and awards	69,673		56,988
	<u>3,547,894</u>		<u>2,560,831</u>
Investment in perpetuity, the income of which is expendable to support:			
Scholarships	8,862,290		8,666,094
Faculty development and other programs	426,135		426,135
Prizes and awards	121,950		114,800
Buildings and facilities management	1,429,325		1,429,325
Beneficial interest in perpetual trust, the income of which is to be spent on scholarships	2,608,843		2,367,942
	<u>13,448,543</u>		<u>13,004,296</u>
Total Endowments	16,996,437		15,565,127
Subject to perpetual restrictions upon receipt			
Contributions receivable	50,501		75,584
	<u>\$ 23,257,166</u>	\$	<u>22,416,505</u>

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 11 — Net Assets (Continued)

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	2024	2023
Purpose restrictions accomplished		
Scholarships	\$ 910,468	\$ 241,753
Faculty development and other programs	3,931,836	1,588,791
Prizes and awards	8,250	20,592
	4,850,554	1,851,136
Property and equipment acquired and placed in service	29,152	73,375
	\$ 4,879,706	\$ 1,924,511

Net Assets Without Donor Restrictions Designated by the Board

	2024	2023
Board designated for endowment to benefit the following purposes:		
Scholarships	\$ 1,682,812	\$ 1,498,751
Faculty development	11,750,184	9,858,598
Prizes and awards	28,502	21,652
Buildings and facilities management	868,726	767,001
	\$ 14,330,224	\$ 12,146,002

Note 12 — Endowment

The University's endowment consists of approximately 92 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by USGAAP, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 12 – Endowment (Continued)

The University's Board of Trustees has interpreted the State of Illinois Uniform Prudent Management of Institutional Funds Act (Illinois UPMIFA) as requiring 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 permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA. In addition, the University includes in its permanently restricted endowment a beneficial interest in a perpetual trust administered by an outside party, the income from which is restricted to scholarships. In accordance with Illinois UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the University
7. Investment policies of the University

The composition of net assets by type of endowment fund at May 31, 2024 and 2023, was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,996,437	\$ 16,996,437
Board-designated endowment funds	14,330,224	-	14,330,224
Total endowment funds	<u>\$ 14,330,224</u>	<u>\$ 16,996,437</u>	<u>\$ 31,326,661</u>
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 15,565,127	\$ 15,565,127
Board-designated endowment funds	12,146,002	-	12,146,002
Total endowment funds	<u>\$ 12,146,002</u>	<u>\$ 15,565,127</u>	<u>\$ 27,711,129</u>

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 12 — Endowment (Continued)

Changes in endowment net assets for the years ended May 31, 2024 and 2023 were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 12,146,002	\$ 15,565,127	\$ 27,711,129
Investment return			
Investment income	358,616	381,653	740,269
Net appreciation	1,231,449	1,429,804	2,661,253
Total investment return	1,590,065	1,811,457	3,401,522
Contributions	-	327,069	327,069
Board designation to support endowment expenditures	463,846	-	463,846
Board designation to move 25% of annual fund contributions to endowment	105,911	-	105,911
Transfers	27,817	(26,916)	901
Appropriation of endowment assets for expenditure	(3,417)	(680,300)	(683,717)
Endowment net assets, end of year	\$ 14,330,224	\$ 16,996,437	\$ 31,326,661

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 12 — Endowment (Continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,558,650	\$ 15,061,833	\$ 26,620,483
Investment return			
Investment income	297,777	304,862	602,639
Net depreciation	(407,766)	(587,827)	(995,593)
Total investment return	(109,989)	(282,965)	(392,954)
Contributions	-	689,600	689,600
Board designation to support endowment expenditures	273,121	-	273,121
Board designation to move 25% of annual fund contributions to endowment	419,480	-	419,480
Appropriation of endowment assets for expenditure	4,740	(4,740)	-
Transfers	-	591,141	591,141
Appropriation of endowment assets for expenditure	-	(489,742)	(489,742)
Endowment net assets, end of year	\$ 12,146,002	\$ 15,565,127	\$ 27,711,129

From time-to-time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or Illinois UPMIFA. Such endowments are often referred to as "underwater" endowments. There were no such deficiencies at May 31, 2024 and 2023.

The University has interpreted Illinois UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 12 — Endowment (Continued)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to produce the highest level of return while assuming a moderate level of investment risk. The University expects its endowment funds to provide an average rate of return of approximately 8% annually over time. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters through the year end preceding the year in which expenditure is planned. This distribution is intended to support operations as well as cover investment-related fees and expenses. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 13 — Revenues from Contracts with Customers

The University recognizes revenue from contracts with customers through three primary revenue streams, including tuition and fees, auxiliary enterprises, and other income. The following table provides disaggregation of revenue from contracts with customers based on the timing of revenue recognition for the years ended May 31, 2024 and 2023:

	2024	2023
Revenue recognized over time	\$ 36,850,376	\$ 39,061,095
Revenue recognized at a point in time	745,148	756,672
	\$ 37,595,524	\$ 39,817,767
TOTAL	\$ 37,595,524	\$ 39,817,767

The portion of auxiliary enterprises revenue that does not represent revenues from contracts with customers totaled \$50,180 and \$58,819 as of May 31, 2024 and 2023, respectively, and has not been included in the table above. The portion of other income that does not represent revenues from contracts with customers totaled \$22,694 and \$47,799 as of May 31, 2024 and 2023, respectively, and has not been included in the table above.

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 14 — Leases

The University has operating leases for facilities and equipment.

The University entered into an approximately ten-year lease for classroom and office space at a location for its campus located in Albuquerque, New Mexico, which will expire in August 2024. The lease was renewed for another three years to begin in September 2024. The lease requires the University to pay all executory costs (maintenance, utilities, and insurance).

The University entered into a lease agreement for space in the Rialto Theater building located in downtown Joliet, Illinois. The lease agreement is 20 years and expires in June 2029. This lease requires the University to pay all executory costs (property taxes, maintenance, utilities, and insurance).

Effective July 2016, the University entered into a license agreement to lease space in an athletic facility in Joliet, Illinois, through July 2027. A usage fee is payable in three installments due on or before July 1, October 1, and January 1.

In addition, the University has several other noncancelable operating leases and service agreements for office equipment and laundry facilities equipment that expire in various years through December 2030.

The components of lease expense were as follows:

	2024	2023
Operating lease cost	\$ 807,139	\$ 880,069
Short-term lease cost	58,086	51,557
Variable cost	50,283	-
	915,508	931,626
Capital lease cost		
Amortization of capital lease assets	3,284	82,438
Interest on capital lease liabilities	-	17,251
	3,284	99,689
Finance lease cost		
Amortization of right-of-use assets	22,028	-
Interest on lease liabilities	4,882	-
	26,910	-
TOTAL LEASE COST	\$ 945,702	\$ 1,031,315

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 14 — Leases (Continued)

The following table summarizes the lease cash flow information recorded in the statements of cash flows at May 31, 2024 and 2023:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 856,062	\$ 911,581
Operating cash flows from capital leases	4,882	16,876
Financing cash flows from capital leases	6,161	99,689
Financing cash flows from finance leases	22,028	-
	\$ 889,133	\$ 1,028,146
	2024	2023
Weighted-average remaining lease term (years)		
Operating leases	4.2 years	4.6 years
Finance leases	4.8 years	-
Weighted-average discount rate		
Operating leases	4.63%	4.65%
Finance leases	4.27%	-

The aggregate future maturities of the lease liabilities at May 31 are as follows:

	Operating Leases	Finance Leases	Total
2025	\$ 684,852	\$ 82,298	\$ 767,150
2026	681,198	82,298	763,496
2027	671,893	82,298	754,191
2028	401,781	82,298	484,079
2029	329,942	55,387	385,329
Thereafter	61,398	-	61,398
	2,831,064	384,579	3,215,643
Total future undiscounted lease payments			
Less interest	(262,181)	(34,616)	(296,797)
	\$ 2,568,883	\$ 349,963	\$ 2,918,846
PRESENT VALUE OF LEASE LIABILITIES			

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 15 — Retirement Plans

The University has a defined contribution benefit plan (the Plan) covering substantially all full-time faculty, administrative, and staff personnel who agree to make contributions of at least 5% of the employee's base salary to the Plan. The University's annual contribution to the Plan ranges between 5% and 10% of the employees' base salaries depending upon years of service. The retirement benefit expense was \$1,192,812 and \$1,176,662 for 2024 and 2023, respectively.

In February 2016, the University established a nonqualified deferred compensation plan for a select group of key management or highly compensated employees, providing supplemental retirement income benefits through the deferral of base salary, bonus compensation, and additional discretionary contributions by the University.

Additionally, the University entered into an agreement with a trustee under an irrevocable trust (the "trust") to be used in connection with the nonqualified plan. The Trust is intended to be a rabbi trust and the assets of the trust belong to the University and are subject to the claims of the University's general creditors. The trust assets are invested in a managed portfolio proprietary fund.

Participants are fully vested at all times in their base salary deferrals, bonus compensation deferrals, matching contributions, and discretionary contributions, and any earnings thereon.

Payment of a participant's vested account shall be made within 90 days of the earliest to occur: separation from service; death; and disability.

During the years ended May 31, 2024 and 2023, the University made discretionary contributions to the trust of \$212,500 and \$205,000, respectively, recognized as compensation expense. The fair market value of the underlying trust assets as of May 31, 2024 and 2023, was \$1,200,583 and \$828,259, respectively, and are included in cash and restricted investments along with a related deferred compensation liability of \$1,200,583 and \$828,259, respectively, included in other liabilities on the statements of financial position.

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 16 — Related Party Transactions

The University conducts business with various vendors throughout the Joliet and greater Chicagoland areas. Several of the University's vendors have principals or employees currently serving on its Board of Trustees. In accordance with the University's Conflict of Interest Policy, each Trustee is required to disclose her or his business relationship with the University on an annual basis.

Approximately \$235,208 (80%) and \$42,650 (2%) of all contributions receivable were due from related parties, including certain members of the Board of Trustees, in 2024 and 2023, respectively, and approximately \$154,133 (6%) and \$163,931 (4%) of contribution revenue was received from related parties, including certain members of the Board of Trustees, in 2024 and 2023, respectively.

Note 17 — Disclosures About Fair Value of Assets and Liabilities

Recurring Measurements

USGAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. USGAAP also specifies a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 17 — Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2024 and 2023:

	2024			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Common and preferred stocks	\$ 7,568,042	\$ -	\$ -	\$ 7,568,042
U.S. Government agency mortgage-backed securities	-	514,709	-	514,709
Corporate bonds	-	3,236,454	-	3,236,454
Equity mutual funds	487,538	-	-	487,538
Fixed income mutual funds	488,738	-	-	488,738
Equity exchange-traded funds	6,480,992	-	-	6,480,992
Fixed income exchange-traded funds	6,643,307	-	-	6,643,307
Alternative strategy mutual funds	2,865,378	-	-	2,865,378
Real estate held for investment	-	1,180,000	-	1,180,000
Subtotal	24,533,995	4,931,163	-	29,465,158
Cash and cash equivalents carried at amortized cost				8,794,679
Total investments				38,259,837
Other Assets				
Beneficial interest in perpetual trust	-	-	2,608,843	2,608,843
Interest rate swap agreements	-	3,939,696	-	3,939,696
TOTAL ASSETS AT FAIR VALUE	\$ 24,533,995	\$ 8,870,859	\$ 2,608,843	\$ 44,808,376

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 17 — Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

	2023			Total
	Level 1	Level 2	Level 3	
Assets				
Investments				
Common and preferred stocks	\$ 6,179,704	\$ -	\$ -	\$ 6,179,704
U.S. Government agency mortgage-backed securities	-	538,065	-	538,065
Corporate bonds	-	3,857,746	-	3,857,746
Equity mutual funds	144,344	-	-	144,344
Fixed income mutual funds	100,175	-	-	100,175
Equity exchange-traded funds	5,233,097	-	-	5,233,097
Fixed income exchange-traded funds	5,637,646	-	-	5,637,646
Alternative strategy mutual funds	2,293,283	-	-	2,293,283
Real estate held for investment	-	1,130,000	-	1,130,000
Subtotal	19,588,249	5,525,811	-	25,114,060
Cash and cash equivalents carried at amortized cost				13,404,942
Total investments				38,519,002
Other Assets				
Beneficial interest in perpetual trust	-	-	2,367,942	2,367,942
Interest rate swap agreements	-	3,742,440	-	3,742,440
TOTAL ASSETS AT FAIR VALUE	\$ 19,588,249	\$ 9,268,251	\$ 2,367,942	\$ 44,629,384

University of St. Francis

Notes to Financial Statements

May 31, 2024 and 2023

Note 17 – Disclosures About Fair Value of Assets and Liabilities (Continued)

Recurring Measurements (Continued)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

Investments and Real Estate Held for Investment

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameter, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections, and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. There are no Level 3 securities.

Beneficial Interest in Perpetual Trust

Fair value is determined using the fair value of the assets held in the trust reported by the trustee as of the last day of the fiscal year. The University considers the measurement of its beneficial interest in the perpetual charitable trust to be a Level 3 measurement within the hierarchy, because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them.

Interest Rate Swap Agreements

The fair value is estimated using forward-looking interest rate curves and discounted cash flows that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Unobservable (Level 3) Inputs

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statement of financial position using significant unobservable (Level 3) inputs:

	2024	2023
Beneficial interest in perpetual trust		
Balance, beginning of year	\$ 2,367,942	\$ 2,540,348
Distributions to the University	(119,723)	(140,182)
Total change in value of perpetual trust	360,624	(32,224)
Balance, end of year	<u>\$ 2,608,843</u>	<u>\$ 2,367,942</u>

University of St. Francis
Notes to Financial Statements
May 31, 2024 and 2023

Note 18 — Significant Estimates, Concentrations, and Contingencies

USGAAP requires disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Student Accounts Receivable

The University grants unsecured credit to students located throughout the United States of America.

Asset Retirement Obligation

The University's conditional asset retirement obligations primarily relate to the remediation of asbestos contained in buildings that the University owns. Environmental regulations exist that require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished. Determination of the recorded liability is based on a number of estimates and assumptions including discount rate, abatement cost estimates, and estimates of dates of abatement. The University estimated its liability at May 31, 2024 and 2023 to be \$508,428 and \$485,943, respectively, which is included in the other liabilities line in the statements of financial position.

Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets, and cash flows of the University. Events could occur that would change this estimate materially in the near term.

Note 19 — Risks and Uncertainties

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of financial position.

Note 20 — Subsequent Events

Subsequent events have been evaluated October 10, 2024, which is the date the financial statements were available to be issued, and determined that there were no significant nonrecognized subsequent events through that date.