




# **University of St. Thomas**

## **Independent Auditor's Report, Consolidated Financial Statements, and Supplementary Information**

June 30, 2025 and 2024



**University of St. Thomas**  
**Contents**  
**June 30, 2025 and 2024**

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## Independent Auditor's Report

Board of Directors  
University of St. Thomas  
Houston, Texas

### Report on the Audit of the Consolidated Financial Statements

#### ***Opinion***

We have audited the consolidated financial statements of University of St. Thomas (University), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 within one year after the date that these consolidated financial statements are issued or for one year after the date that these consolidated financial statements are available to be 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 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 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Financial Responsibility Supplemental Schedule Required by the U.S. Department of Education is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the 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 GAAS. In our opinion, the Financial Responsibility Supplemental Schedule Required by the U.S. Department of Education 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 March 2, 2026 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.

**Forvis Mazars, LLP**

**Houston, Texas  
March 2, 2026**

**University of St. Thomas**  
**Consolidated Statements of Financial Position**  
**June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,321,807	\$ 4,024,390
Student accounts and other receivables, net of allowance for credit losses; 2025 – \$130,302, 2024 – \$176,555	5,973,282	4,305,671
Pledges receivable, net	3,339,350	2,089,900
Prepayments and other assets	4,377,524	3,785,922
Investments	154,920,127	145,707,540
Cash and cash equivalents restricted for investment in land, building, and equipment	17,376,619	9,062,594
Property, plant, and equipment, net	113,381,814	115,425,250
Right-of-use assets – operating leases	365,018	32,600
<b>Total Assets</b>	<u>\$ 305,055,541</u>	<u>\$ 284,433,867</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 4,753,290	\$ 3,652,441
Accrued liabilities	7,230,728	5,855,037
Deferred revenue	4,314,933	3,813,235
Bonds and loans payable, net	43,370,699	43,464,389
Lease liability – financing	-	342,181
Lease liability – operating	373,719	18,199
<b>Total Liabilities</b>	<u>60,043,369</u>	<u>57,145,482</u>
<b>Net Assets</b>		
Without donor restrictions	53,966,180	61,591,802
With donor restrictions	191,045,992	165,696,583
<b>Total Net Assets</b>	<u>245,012,172</u>	<u>227,288,385</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 305,055,541</u>	<u>\$ 284,433,867</u>

**University of St. Thomas**  
**Consolidated Statement of Activities**  
**Year Ended June 20, 2025**

	<b>2025</b>			<b>2024</b> <b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	
<b>Operating Revenue</b>				
Tuition and fees, net of financial aid of \$46,710,893 and \$38,336,652 for 2025 and 2024, respectively	\$ 62,589,906	\$ -	\$ 62,589,906	\$ 56,621,643
Endowment earnings used for current operations	7,291,057	-	7,291,057	7,000,000
Government and private grants	3,970,184	-	3,970,184	3,368,800
Gifts and donations	3,170,619	3,597,536	6,768,155	8,411,008
Auxiliary operations	7,154,611	-	7,154,611	7,072,974
Commercial real estate rental	2,295,115	-	2,295,115	2,427,390
Other income	2,250,435	-	2,250,435	1,204,243
Net assets released from restrictions	2,918,112	(2,918,112)	-	-
<b>Total Operating Revenue</b>	<b>91,640,039</b>	<b>679,424</b>	<b>92,319,463</b>	<b>86,106,058</b>
<b>Operating Expenses</b>				
Instruction	43,883,926	-	43,883,926	41,453,429
Library	1,849,597	-	1,849,597	2,177,889
Academic support	3,033,842	-	3,033,842	1,898,032
Student services	12,409,405	-	12,409,405	10,953,401
Institutional support	21,117,544	-	21,117,544	19,635,232
Institutional advancement	3,659,444	-	3,659,444	3,445,519
Auxiliary operations	11,583,277	-	11,583,277	10,204,802
UST Realty Company	2,623,798	-	2,623,798	2,183,262
<b>Total Operating Expenses</b>	<b>100,160,833</b>	<b>-</b>	<b>100,160,833</b>	<b>91,951,566</b>
<b>Changes in Net Assets From Operating Activities</b>	<b>(8,520,794)</b>	<b>679,424</b>	<b>(7,841,370)</b>	<b>(5,845,508)</b>
<b>Nonoperating</b>				
Gifts and donations restricted for investments in endowments	-	6,749,583	6,749,583	2,712,558
Gifts and donations restricted for investments in property and equipment	-	11,061,051	11,061,051	10,536,750
Discretionary reinvestment of endowment earnings	424,877	(424,877)	-	-
Change in fair value of split interest agreements	(32,060)	-	(32,060)	(31,499)
Endowment gain in excess of amounts designated for current operations, net	501,251	7,285,332	7,786,583	8,413,447
Net assets released from restrictions for long-term purposes	1,104	(1,104)	-	-
<b>Changes in Net Assets From Nonoperating Activities</b>	<b>895,172</b>	<b>24,669,985</b>	<b>25,565,157</b>	<b>21,631,256</b>
<b>Total Changes in Net Assets</b>	<b>(7,625,622)</b>	<b>25,349,409</b>	<b>17,723,787</b>	<b>15,785,748</b>
<b>Net Assets</b>				
Beginning of year	61,591,802	165,696,583	227,288,385	211,502,637
End of year	<u>\$ 53,966,180</u>	<u>\$ 191,045,992</u>	<u>\$ 245,012,172</u>	<u>\$ 227,288,385</u>

**University of St. Thomas**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2024**

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Operating Revenue</b>			
Tuition and fees, net of financial aid of \$38,336,652 and \$33,251,559 for 2024 and 2023, respectively	\$ 56,621,643	\$ -	\$ 56,621,643
Endowment earnings used for current operations	7,000,000	-	7,000,000
Government and private grants	3,368,800	-	3,368,800
Gifts and donations	5,748,653	2,662,355	8,411,008
Auxiliary operations	7,072,974	-	7,072,974
Commercial real estate rental	2,427,390	-	2,427,390
Other income	1,204,243	-	1,204,243
Net assets released from restrictions	2,129,368	(2,129,368)	-
<b>Total Operating Revenue</b>	<b>85,573,071</b>	<b>532,987</b>	<b>86,106,058</b>
<b>Operating Expenses</b>			
Instruction	41,453,429	-	41,453,429
Library	2,177,889	-	2,177,889
Academic support	1,898,032	-	1,898,032
Student services	10,953,401	-	10,953,401
Institutional support	19,635,232	-	19,635,232
Institutional advancement	3,445,519	-	3,445,519
Auxiliary operations	10,204,802	-	10,204,802
UST Realty Company	2,183,262	-	2,183,262
<b>Total Operating Expenses</b>	<b>91,951,566</b>	<b>-</b>	<b>91,951,566</b>
<b>Changes in Net Assets From Operating Activities</b>	<b>(6,378,495)</b>	<b>532,987</b>	<b>(5,845,508)</b>
<b>Nonoperating</b>			
Gifts and donations restricted for investments in endowments	-	2,712,558	2,712,558
Gifts and donations restricted for investments in property and equipment		10,536,750	10,536,750
Discretionary reinvestment of endowment earnings	381,608	(381,608)	-
Change in fair value of split interest agreements	(31,499)	-	(31,499)
Endowment gain in excess of amounts designated for current operations, net	549,498	7,863,949	8,413,447
Net assets released from restrictions for long-term purposes	13,250	(13,250)	-
<b>Changes in Net Assets From Nonoperating Activities</b>	<b>912,857</b>	<b>20,718,399</b>	<b>21,631,256</b>
<b>Total Changes in Net Assets</b>	<b>(5,465,638)</b>	<b>21,251,386</b>	<b>15,785,748</b>
<b>Net Assets</b>			
Beginning of year	67,057,440	144,445,197	211,502,637
End of year	<u>\$ 61,591,802</u>	<u>\$ 165,696,583</u>	<u>\$ 227,288,385</u>

**University of St. Thomas**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2025**

Expenses	Program Activities						2025 Total Program	Support Activities		2025 Total Expenses
	Instruction	Library	Academic Support	Student Services	Auxiliary Operations	UST Realty Company		Institutional Support	Institutional Advancement	
Salaries	\$ 21,638,516	\$ 605,890	\$ 2,348,145	\$ 5,604,329	\$ 1,111,272	\$ 64,263	\$ 31,372,415	\$ 3,890,451	\$ 1,945,099	\$ 37,207,965
Student wages	265,124	49,061	3,471	325,610	84,405	-	727,671	1,552,347	6,663	2,286,681
Benefits and taxes	4,480,129	106,886	495,873	1,119,957	128,569	16,548	6,347,962	2,355,404	409,698	9,113,064
Commissions	9,799,899	-	2,250	42,516	76,052	348,458	10,269,175	230,347	-	10,499,522
Technology maintenance and support	67,564	406,863	1,277	144,650	1,663,437	71,373	2,355,164	6,314,899	25,000	8,695,063
Operating expenses	1,065,804	39,306	49,335	374,840	1,349,407	89,208	2,967,900	314,601	262,293	3,544,794
Advertising	34,098	-	8,352	47,690	749	-	90,889	85,718	140,338	316,945
Interest expense	-	-	-	-	2,367,577	-	2,367,577	-	-	2,367,577
Travel	694,058	409	37,577	732,409	3,450	-	1,467,903	163,592	115,092	1,746,587
Events	361,410	1,773	17,744	774,241	121,106	210	1,276,484	76,730	305,972	1,659,186
Dues and subscriptions	244,402	4,318	36,852	197,927	15,451	-	498,950	224,978	141,844	865,772
Supplies	1,593,207	-	15,724	201,054	249,248	1,525	2,060,758	227,654	67,120	2,355,532
Insurance and taxes	40,840	-	-	162,061	-	410,763	613,664	2,200,749	-	2,814,413
Legal expenses	-	-	-	3,189	-	-	3,189	868,084	-	871,273
Facilities operations	864,845	156,718	4,924	859,904	796,917	277,924	2,961,232	176,900	11,914	3,150,046
Utilities	602,022	109,588	3,443	188,761	823,483	200,365	1,927,662	123,144	8,331	2,059,137
Third-party services	349,760	-	200	1,181,586	1,080,101	498,819	3,110,466	1,320,757	187,040	4,618,263
Repairs and maintenance	18,303	2,700	-	36,399	199,648	-	257,050	7,775	-	264,825
Depreciation/amortization	1,763,945	366,085	8,675	412,282	1,512,405	644,342	4,707,734	983,414	33,040	5,724,188
Total expenses included in the expense section of the consolidated statement of activities	\$ 43,883,926	\$ 1,849,597	\$ 3,033,842	\$ 12,409,405	\$ 11,583,277	\$ 2,623,798	\$ 75,383,845	\$ 21,117,544	\$ 3,659,444	\$ 100,160,833

**University of St. Thomas**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2024**

Expenses	Program Activities						2024 Total Program	Support Activities		2024 Total Expenses
	Instruction	Library	Academic Support	Student Services	Auxiliary Operations	UST Realty Company		Institutional Support	Institutional Advancement	
Salaries	\$ 20,371,172	\$ 828,062	\$ 1,316,009	\$ 4,773,700	\$ 1,273,720	\$ 56,219	\$ 28,618,882	\$ 3,549,717	\$ 1,640,749	\$ 33,809,348
Student wages	216,680	46,552	2,380	205,253	45,336	-	516,201	1,556,655	5,555	2,078,411
Benefits and taxes	4,415,226	160,679	297,751	1,034,665	153,379	14,476	6,076,176	2,344,001	370,455	8,790,632
Commissions	10,011,627	-	83,737	35,430	75,615	269,704	10,476,113	95,465	-	10,571,578
Technology maintenance and support	125,878	438,163	5,454	97,919	789,764	61,044	1,518,222	5,986,683	25,000	7,529,905
Operating expenses	795,622	32,693	9,309	260,691	1,174,974	82,400	2,355,689	151,714	379,881	2,887,284
Advertising	32,322	-	39	56,779	2,363	-	91,503	368,815	112,262	572,580
Interest expense	-	-	-	-	2,305,025	-	2,305,025	-	-	2,305,025
Travel	582,564	1,129	59,919	854,994	7,615	-	1,506,221	47,469	32,937	1,586,627
Events	372,868	3,755	31,148	754,787	109,949	-	1,272,507	81,418	538,702	1,892,627
Dues and subscriptions	148,329	702	49,408	143,885	8,369	-	350,693	331,958	76,668	759,319
Supplies	579,442	36,752	7,009	351,611	305,742	624	1,281,180	130,961	52,972	1,465,113
Insurance and taxes	36,427	-	-	141,483	21,097	354,412	553,419	1,750,090	-	2,303,509
Legal expenses	-	-	-	-	-	-	-	288,695	-	288,695
Facilities operations	791,695	142,542	4,479	772,226	718,119	265,011	2,694,072	162,758	10,836	2,867,666
Utilities	614,337	111,830	3,514	192,622	966,396	217,745	2,106,444	125,663	8,501	2,240,608
Third-party services	527,139	499	19,039	831,470	497,552	200,797	2,076,496	1,659,701	157,344	3,893,541
Repairs and maintenance	35,223	1,611	-	25,907	209,146	-	271,887	1,695	-	273,582
Depreciation/amortization	1,796,878	372,920	8,837	419,979	1,540,641	660,830	4,800,085	1,001,774	33,657	5,835,516
Total expenses included in the expense section of the consolidated statement of activities	\$ 41,453,429	\$ 2,177,889	\$ 1,898,032	\$ 10,953,401	\$ 10,204,802	\$ 2,183,262	\$ 68,870,815	\$ 19,635,232	\$ 3,445,519	\$ 91,951,566

**University of St. Thomas**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 17,723,787	\$ 15,785,748
Items not requiring (providing) operating cash flows		
Depreciation and amortization	5,711,885	5,823,212
Amortization of bond premium	12,303	12,304
Bad debt expense	526,007	628,112
Noncash contribution received	(66,705)	(67,008)
Gifts and donations restricted for long-term purposes	(17,728,143)	(13,230,102)
Net realized and unrealized gain on investments	(15,536,431)	(15,828,901)
Changes in operating assets and liabilities		
Student accounts and other receivables	(2,193,618)	(1,517,299)
Pledge receivable, net	(1,892,743)	(1,867,123)
Prepayments and other assets	(591,602)	(1,060,606)
Accounts payable and accrued liabilities	2,476,540	(3,920,338)
Lease liability – operating	373,719	(90,457)
Deferred revenue	501,698	285,983
<b>Net Cash Used in Operating Activities</b>	<u>(10,683,303)</u>	<u>(15,046,475)</u>
<b>Cash Flows From Investing Activities</b>		
Proceeds from sale/maturities of investments	6,841,604	4,602,352
Purchases of investments	(451,054)	(675,447)
Purchases of property, plant, and equipment	<u>(4,000,867)</u>	<u>(1,386,169)</u>
<b>Net Cash Provided by Investing Activities</b>	<u>2,389,683</u>	<u>2,540,736</u>
<b>Cash Flows From Financing Activities</b>		
Gifts and donations restricted for		
Investments in property and equipment	11,663,550	11,576,750
Investments in endowment	6,707,885	2,712,558
Proceeds from issuance of long-term debt	-	2,415,000
Principal payments on bonds and loans payable	(105,993)	(94,711)
Payments on financing lease liability	<u>(360,380)</u>	<u>(380,882)</u>
<b>Net Cash Provided by Financing Activities</b>	<u>17,905,062</u>	<u>16,228,715</u>
<b>Net Increase in Cash and Cash Equivalents and Cash and Cash Equivalents Restricted for Investments in Land, Building, and Equipment</b>	9,611,442	3,722,976
<b>Cash and Cash Equivalents and Cash and Cash Equivalents Restricted for Investments in Land, Building, and Equipment, Beginning of Year</b>	<u>13,086,984</u>	<u>9,364,008</u>
<b>Cash and Cash Equivalents and Cash and Cash Equivalents Restricted for Investments in Land, Building, and Equipment, End of Year</b>	<u>\$ 22,698,426</u>	<u>\$ 13,086,984</u>

**University of St. Thomas**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2025 and 2024**

**(Continued)**

	<u>2025</u>	<u>2024</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest	\$ 2,367,577	\$ 2,305,025
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 373,719	\$ 90,457
Financing cash flows from finance leases	\$ 360,380	\$ 380,882
ROU assets obtained in exchange for new operating lease liabilities	\$ 488,276	\$ -
Cash and cash equivalents	\$ 5,321,807	\$ 4,024,390
Cash and cash equivalents restricted for investment in land, building, and equipment	<u>17,376,619</u>	<u>9,062,594</u>
Total cash and cash equivalents and cash and cash equivalents restricted for investment in land, building, and equipment shown in the consolidated statements of cash flows	<u>\$ 22,698,426</u>	<u>\$ 13,086,984</u>

## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Organization***

University of St. Thomas (University) was founded in 1947 by the Congregation of St. Basil (Basilian Fathers). The University is incorporated as a Texas nonprofit corporation and is governed by an independent Board of Directors (Board). A comprehensive university, educating both undergraduate and graduate students, the University enjoys a national reputation for academic excellence and a diverse student body.

Located near the City of Houston's Museum District, one of the city's most attractive areas, and minutes from a thriving downtown cultural district, the University offers both undergraduate and graduate degree programs. More than 81% of faculty members hold the highest degrees in their disciplines. The students are predominantly Texan; however, many of them come from other states and 51 foreign countries. High acceptance rates for graduate school, law school, and allied health professions and medical school reflect strong academic undergraduate preparation.

UST Realty Company, a wholly owned subsidiary of the University, was formed to acquire commercial real estate property located adjacent to the campus. On February 1, 2007, UST Realty Company purchased two commercial office buildings and a retail center with an associated parking garage, contiguous to the University's campus. The University leases the office space to commercial tenants.

### ***Auxiliary Operations***

Auxiliary operations consist primarily of student housing facilities, dining services, summer camps, and other student services.

### ***Basis of Accounting***

The consolidated financial statements of the University have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The University's resources are reported, for accounting purposes, in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories as follows:

*Net Assets Without Donor Restrictions* – Net assets without donor restrictions are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board or may otherwise be limited by contractual agreements with outside parties.

*Net Assets With Donor Restrictions* – Net assets with donor restrictions are comprised of both assets with donor-imposed stipulations that can be fulfilled by actions of the University, pursuant to those stipulations, or that expire by the passage of time and net assets that are subject to donor-imposed stipulations that they be maintained permanently by the University. Generally, the donors of the latter of these assets permit the University to use all or part of the investment return on these assets. In addition, some donors may require that all of the earnings be added to the fund balance until certain stipulations are met. Such assets include the University's permanent endowment funds.

Expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed contribution stipulations that simultaneously increase net assets without donor restrictions and decrease net assets with donor restrictions are reported as net assets released from restrictions. Donor-restricted contributions received and expended during the same fiscal year are recorded as revenues and expenses without donor restrictions in the consolidated statements of activities.

### ***Principles of Consolidation***

The consolidated financial statements include the assets, liabilities, net assets, and activities of the University of St. Thomas and its wholly owned consolidated subsidiary, UST Reality Company (collectively, the University). All significant intercompany account balances and transactions have been eliminated in the consolidated financial statements.

### ***Use of Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### ***Cash and Cash Equivalents***

The University considers all highly liquid short-term investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents invested for long-term purposes are included in investments. Deposit accounts restricted internally by the Board are considered to be cash and cash equivalents.

At June 30, 2025 and 2024, the University's cash accounts exceeded federally insured limits by \$24,335,802 and \$13,909,506, respectively.

### ***Student Accounts and Other Receivables***

Typically, the University's accounts receivable are mainly due from students. Accounts receivable are stated at amounts due from students net of an allowance for credit losses. Accounts not paid by the end of the semester are considered past due.

The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. The University reserves for accounts and other receivables when they are considered uncollectible or certain accounts may be fully written off later if deemed by the University to be completely uncollectible.

### ***Cash and Cash Equivalents Restricted for Investment in Land, Building, and Equipment***

Amounts received from donors for use in capital programs are classified as cash and investments restricted for investment in land, building, and equipment in the consolidated statements of financial position.

### ***Investments and Net Investment Return***

The estimated fair values of investments are based on quoted market prices, except for certain alternative assets for which quoted market prices are not available. The estimated fair values of these alternative assets are based on the most recent valuations provided by external investment managers. The University reviews and evaluates the values provided by external investment managers and agrees such values with the valuation methods and assumptions used to determine those values. Therefore, the University believes the carrying amounts of these financial instruments are reasonable estimates of their fair values. Because alternative assets are not readily marketable, their estimated fair values are subject to uncertainty and, therefore, may differ from the fair values that would have been used had a ready market for such investments existed. Investments in private equity funds are recorded at net asset value (NAV), as a practical expedient.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external

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investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without 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 quarterly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

***Property, Plant, and Equipment and Long-Lived Assets***

Property, plant, and equipment greater than \$500 are stated at cost at the date of acquisition or fair value at the date of donation, less accumulated depreciation. Plant and equipment are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 3 to 50 years. Upon retirement or sale, the University removes the cost of the assets and the related accumulated depreciation from the accounts and reflects any resulting gains or losses in income.

The University evaluates the carrying amounts of its long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. In the event that facts and circumstances indicate that the long-lived assets may be impaired, an evaluation of recoverability would be performed. If an evaluation of impairment were required, the estimated future undiscounted cash flows associated with an asset would be compared to the asset's carrying amount to determine if a write-down to market value or cash flow value is required. There were no impairments in the fiscal years ended June 30, 2025 and 2024.

***Deferred Revenue***

Revenue from fees for tuition is deferred and recognized over the periods to which the fees relate. Tuition and fees for summer classes beginning in the subsequent fiscal year are deferred. Deferred revenue consists of amounts received for educational or auxiliary goods and services that have not yet been earned.

***Accrued Payroll and Employee Benefits***

As of June 30, 2025 and 2024, the University had an obligation related to its employees' rights to receive compensation for the remainder of their contract or future absences. This obligation is attributable to employees' contracts or services already rendered. These liabilities, amounting to \$3,074,910 and \$2,756,379 as of June 30, 2025 and 2024, respectively, are included in accrued liabilities in the accompanying consolidated statements of financial position.

***Concentrations of Credit Risk***

The University is subject to concentrations of credit risk related primarily to cash, marketable securities, and receivables. The University's cash deposits are held in major financial institutions. Marketable securities consist primarily of corporate stocks, which could subject the University to losses in the event of a general downturn in the stock market. The University has reduced its risk related to common stock through diversification into investments in a variety of industries. The University's receivables from students are monitored for potential losses, and an allowance for credit losses is established based on the age of unpaid accounts and the University's experience. Pledges receivable represent unconditional promises to give and are monitored by the University for potential losses.

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**Contributions**

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<u>Nature of the Gift</u>	<u>Value Recognized</u>
<i>Conditional gifts, with or without restriction</i> Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i> Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

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 statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

Conditional contributions having donor stipulations that are satisfied in the period the gift is received are recorded as revenue and net assets without donor restrictions.

**Collections**

All collections of works of art, historical treasures, and similar assets are capitalized. Items added to the collections are capitalized at costs if purchased, or at estimated fair value on the acquisition date if donated. Collection items sold or removed are reported as gains or losses with or without donor restrictions depending on donor stipulations, if any, placed on the items at the time of acquisition.

**Grants, Gifts, and Donations**

Government grants and private gifts and donations include amounts received with donor restriction and without donor restriction net asset categories, as appropriate, considering the nature of the respective grant and gift instruments. Upon expiration of the restrictions, the applicable gift and grant revenue is released from the with donor restrictions net asset category and transferred to the without donor restrictions category. Donor-restricted gifts received and expended during the same fiscal year are recorded as revenues and expenses without donor restrictions in the consolidated statements of activities.

### ***Tuition and Auxiliary Services Revenue***

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

### ***Functional Allocation of Expenses***

Costs related to the operation and maintenance of physical plants, including depreciation of plant assets, are allocated to program, and supporting activities based upon the square footage of utilized facilities. Interest costs are allocated to program and supporting activities based upon the use of the funds borrowed.

### ***Operating Measure***

The operating activities of the University include all current income and expenses, including gifts and donations with and without donor restrictions, other than those with permanent restrictions. Nonoperating activities reflect gifts and donations of a permanent nature to be used by the University to generate a return that will support operations, gifts, and donations restricted for investments in property and equipment and the release of restrictions on net assets to be used for long-term purposes, as well as certain noncash items that are not indicative of the University's operational performance.

### ***Tax Status***

The University and UST Realty Company have received determination letters from the Internal Revenue Service of exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC), and accordingly, no provision has been made for such taxes. Accounting principles generally accepted in the United States of America require that the University recognize the financial effects of a tax position in its consolidated financial statements, if that tax position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the tax position. Tax positions taken related to the University's tax-exempt status, the taxable income of unrelated business activities, and the deductibility of expenses and other miscellaneous tax positions have been reviewed, and management is of the opinion that material positions taken by the University would more likely than not be sustained upon examination by taxing authorities. Accordingly, the University has not recorded an income tax liability for uncertain tax benefits.

## **Note 2. Pledges Receivable, Net**

Pledges receivable are expected to be realized as of June 30:

	<u>2025</u>	<u>2024</u>
Less than one year	\$ 551,517	\$ 120,000
Between one and five years	2,860,000	1,980,793
More than five years	<u>200,000</u>	<u>200,000</u>
Gross pledges receivable	3,611,517	2,300,793
Less present value discount	<u>(272,167)</u>	<u>(210,893)</u>
Net pledges receivable	<u>\$ 3,339,350</u>	<u>\$ 2,089,900</u>

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Net pledges receivable included pledges with the following restrictions as of June 30:

	<u>2025</u>	<u>2024</u>
Gifts to the capital campaign for construction of plant	\$ 2,789,340	\$ 1,312,635
Gifts restricted for unbudgeted activities	358,858	550,901
Gifts to endowment for general and scholarship purposes	<u>191,152</u>	<u>226,364</u>
Total	<u>\$ 3,339,350</u>	<u>\$ 2,089,900</u>

Discount rates ranged from 4.30% to 4.36% for 2025 and 2024. No allowance has been recorded based on the University's determination that all pledges are deemed collectible.

**Note 3. Conditional Gifts**

A portion of the University's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures, if any, are reported as refundable advances in the consolidated statements of financial position. The University received the following cost-reimbursable grants that have not been recognized at June 30, 2025 because qualifying expenditures have not yet been incurred.

Texas Higher Education Coordinating Board Tuition Equalization Grant	\$ 4,472,833
Nursing & Allied Health – Nursing Innovation	19,577
Nursing Shortfall Reduction Program	326,684
Higher Educational Institutional Aid	6,295,373
Centers of Excellence to Veteran Student Success Program	157,570
Minority Science and Engineering Improvement Program	19,276
National Science Foundation	205,991
Global Encounter Certificate Program	<u>85,713</u>
	<u>\$ 11,583,017</u>

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**Note 4. Property, Plant, and Equipment**

Property, plant, and equipment consisted of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 162,856,859	\$ 161,398,828
Machinery and equipment	34,116,784	33,324,846
Furniture and fixtures	2,571,807	2,567,030
Library books	13,823,435	13,793,978
Software	<u>3,667,880</u>	<u>3,667,880</u>
	217,036,765	214,752,562
Less accumulated depreciation and amortization	<u>(131,979,842)</u>	<u>(126,267,957)</u>
Net depreciable property, plant, and equipment	85,056,923	88,484,605
Construction in progress	1,855,756	471,510
Land	<u>26,469,135</u>	<u>26,469,135</u>
Property, plant, and equipment, net	<u>\$ 113,381,814</u>	<u>\$ 115,425,250</u>

As of June 30, 2025 and 2024, land, buildings, and improvements, net of accumulated depreciation, leased by UST Realty Company were \$12,550,234 and \$12,973,480, respectively.

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**Note 5. Bonds and Loans Payable**

Bonds and loans payable consisted of the following as of June 30:

	<u>2025</u>	<u>2024</u>
Taxable bonds, Series 2020. The bonds are interest only until October 1, 2026, with maturity dates from 2026 to 2059. Annual principal payments ranging from \$480,000 to \$2,455,000 and interest rates ranging from 3.642% to 5.573%.	\$ 40,000,000	\$ 40,000,000
Third Coast Bank loan, monthly interest and principal payment of \$3,692, with fixed interest rate of 4.5% and final payment on January 15, 2026, of all principal and accrued interest not yet paid, collateralized by property.	493,196	514,421
Third Coast Bank loan, monthly interest and principal payment of \$7,875, with fixed interest rate of 6.35% for the first five years. Beginning first annual anniversary the applicable interest rate for the next five years will be fixed rate equal to prime interest rate plus 1%, but no less than 6% and the final payment on February 27, 2043, of all principal and accrued interest not yet paid, collateralized by property.	994,582	1,023,845
Third Coast Bank loan, monthly interest and principal payment of \$20,023, with fixed interest rate of 7.75% for the first five years. Beginning first annual anniversary the applicable interest rate for the next five years will be fixed rate equal to prime interest rate plus 1%, but no less than 6% and the final payment on September 12, 2043, of all principal and accrued interest not yet paid, collateralized by property.	<u>2,313,534</u>	<u>2,369,039</u>
Subtotal	43,801,312	43,907,305
Less unamortized debt issuance costs	<u>(430,613)</u>	<u>(442,916)</u>
Total	<u>\$ 43,370,699</u>	<u>\$ 43,464,389</u>

Total interest expense incurred on bonds and loans payable for the years ended June 30, 2025 and 2024 was \$2,367,577 and \$2,305,025, respectively.

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Future principal maturities of bonds and loans payable were as follows as of June 30, 2025:

2026	\$ 113,467
2027	601,487
2028	624,403
2029	649,469
2030	688,803
Thereafter	<u>41,123,683</u>
	<u><u>\$ 43,801,312</u></u>

**Note 6. Net Assets With Donor Restrictions**

Net assets with donor restrictions are restricted for the following purposes or periods as of June 30:

	<u>2025</u>	<u>2024</u>
Subject to expenditure for specified purpose		
Restricted for operating activities	\$ 10,988,843	\$ 14,206,860
Pledges restricted for operating activities	358,858	550,901
Restricted for investment in land, building, and equipment	<u>25,894,069</u>	<u>9,062,594</u>
Total subject to expenditure for specified purpose	<u>37,241,770</u>	<u>23,820,355</u>
Endowments		
Endowment earnings in excess of original endowment donations	54,793,375	49,614,965
Original endowment donations	<u>99,010,847</u>	<u>92,261,263</u>
Total endowments	<u>153,804,222</u>	<u>141,876,228</u>
Total net assets with donor restrictions	<u><u>\$ 191,045,992</u></u>	<u><u>\$ 165,696,583</u></u>

**Net Assets Released From Restrictions**

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

	<u>2025</u>	<u>2024</u>
Satisfaction or purpose restrictions		
Capital expenditures	\$ 1,104	\$ 13,250
Educational programs	1,751,962	1,404,846
Financial aid	<u>1,166,150</u>	<u>724,522</u>
Total net assets released from restrictions	<u><u>\$ 2,919,216</u></u>	<u><u>\$ 2,142,618</u></u>

**Note 7. Endowment**

The University's endowment consists of approximately 302 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by GAAP, 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.

The Board interprets the *Texas Prudent Management of Institutional Funds Act* (TPMIFA) as requiring the preservation of the fair value of original gifts as of the gift date of 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 and (b) the original value of subsequent gifts to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The University has interpreted TPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

In accordance with TPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. Purposes of the University and the fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the University
7. The investment policy of the University

The composition of net assets by type of endowment fund was as follows at June 30:

	<b>2025</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 4,972,242	\$ -	\$ 4,972,242
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	99,010,847	99,010,847
Endowment earnings in excess of original endowment donations	-	54,793,375	54,793,375
Endowment net assets, June 30, 2025	<u>\$ 4,972,242</u>	<u>\$ 153,804,222</u>	<u>\$ 158,776,464</u>

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	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Board-designated endowment funds	\$ 4,046,113	\$ -	\$ 4,046,113
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	92,261,263	92,261,263
Endowment earnings in excess of original endowment donations	-	49,614,965	49,614,965
Endowment net assets, June 30, 2024	<u>\$ 4,046,113</u>	<u>\$ 141,876,228</u>	<u>\$ 145,922,341</u>

Changes in endowment net assets were as follows for the fiscal years ended June 30:

	<b>2025</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, June 30, 2024	<u>\$ 4,046,113</u>	<u>\$ 141,876,228</u>	<u>\$ 145,922,341</u>
Investment return			
Investment income	4,937	173,086	178,023
Net gains (realized and unrealized)	496,315	12,762,957	13,259,272
Total investment return	<u>501,252</u>	<u>12,936,043</u>	<u>13,437,295</u>
Discretionary reinvestment of earnings	424,877	(424,877)	-
Contributions and grants	-	6,707,885	6,707,885
Appropriation of endowment assets for expenditure	-	(7,291,057)	(7,291,057)
Endowment net assets, June 30, 2025	<u>\$ 4,972,242</u>	<u>\$ 153,804,222</u>	<u>\$ 158,776,464</u>

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	<b>2024</b>		<b>Total</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	
Endowment net assets, June 30, 2023	\$ 3,115,007	\$ 131,897,771	\$ 135,012,778
Investment return			
Investment income	3,389	143,500	146,889
Net losses (realized and unrealized)	546,109	14,504,007	15,050,116
Total investment return	549,498	14,647,507	15,197,005
Discretionary reinvestment of earnings	381,608	(381,608)	-
Contributions and grants	-	2,712,558	2,712,558
Appropriation of endowment assets for expenditure	-	(7,000,000)	(7,000,000)
Endowment net assets, June 30, 2024	<u>\$ 4,046,113</u>	<u>\$ 141,876,228</u>	<u>\$ 145,922,341</u>

As of June 30, 2025 and 2024, approximately 45% and 44%, respectively, of endowment assets are restricted for student scholarships, while the remaining 55% and 56%, respectively, is restricted for general educational and University operations.

From time to time, the fair values of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or TPMIFA requires the University to retain as a fund of perpetual duration.

At June 30, 2025, funds with original gift values of \$818,563, fair values of \$802,320, and deficiencies of \$16,243 were reported in net assets with donor restrictions. At June 30, 2024, funds with original gift values of \$632,465, fair values of \$630,351, and deficiencies of \$2,114 were reported in net assets with donor restrictions.

These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the Board.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for programs and scholarships supported by its endowment, while seeking to maintain the purchasing power of the endowment assets over time.

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, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that equal or exceed a real rate of return of 5.0%, plus inflation (Consumer Price Index) over a 10-year period. Performance goals are based upon a long-term investment horizon; therefore, interim variations should be expected.

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

Endowment income, including realized and unrealized gains or losses on investments, is recognized in the appropriate net asset category according to the existence or absence of donor-imposed restrictions. Endowment funds, which consist primarily of marketable securities, are pooled for investment management purposes. Income

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from investments is allocated to each endowment based upon the relative market value and type of endowment. The endowment spending policy provides for an endowment income distribution equal to 5% based on a prior fiscal year's prior 12-quarter moving average of the endowment assets, excluding pledges receivable. In establishing the spending 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 5.0%, plus inflation annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The revenues from applying this endowment spending rate policy are recorded in the operating revenue section in the consolidated statements of activities. Any difference between actual total endowment return, including realized and unrealized gains and losses, and the endowment spending rate is recorded in the nonoperating section of the consolidated statements of activities.

**Note 8. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, are comprised of the following within one year of June 30:

	<u>2025</u>	<u>2024</u>
Total financial assets (cash, student accounts and other receivables, and investments)	\$ 183,591,835	\$ 163,100,195
Less donor-imposed restrictions		
Restricted funds	20,559,775	9,062,594
Endowments	<u>153,804,222</u>	<u>141,876,228</u>
Net financial assets after donor-imposed restrictions	<u>9,227,838</u>	<u>12,161,373</u>
Less internal designations		
Reserve funds	481,521	460,000
Gift annuities	1,221,084	887,688
Quasi-endowments	<u>4,972,242</u>	<u>4,046,113</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,552,991</u>	<u>\$ 6,767,572</u>

The University receives significant contributions restricted by donors and considers contributions restricted for programs, which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2025 and 2024, restricted contributions of \$10,988,843 and \$14,206,860, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The University's endowment funds consist of donor-restricted endowments and funds designated by the Board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The Board-designated endowment of \$4,972,242 and \$4,046,113 as of June 30, 2025 and 2024, respectively, is subject to an annual spending rate of 5% as described in Note 7. Although the University does not intend to spend

from this Board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), these amounts could be made available if necessary.

The University manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The University strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Cash reserves held for flexibility and strategic purposes are invested in money market funds and other short-term investments.

## **Note 9. Revenue From Contracts With Students**

### ***Tuition, Residential Services, and Meal Plan Services Revenue***

Revenue from contracts with students for tuition, residential services, and meal plan services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$46,710,893 and \$38,336,652 for the years ended June 30, 2025 and 2024, respectively.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the semester, and student accounts receivable are due in full before classes begin.

If a student withdraws within dates as published on the University's website, they are entitled to a refund ranging from 25% to a full refund depending on the date of withdrawal. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food, and other services based on standalone charges to students for tuition and those services.

### ***Transaction Price and Recognition***

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid, in accordance with the University's policies for granting certain merit-based aid. The University determines its estimates of explicit price concessions based on its discount practices and policies and merit awards.

From time to time, the University will incur student credit balances and student deposits, which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2025 and 2024, the University has a liability for student credit balances recorded in accrued liabilities of \$98,794 and \$30,983, respectively.

### ***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

Because all of its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily

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related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

***Disaggregation of Revenue***

The composition of net student fees revenue by segment is as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Net tuition and fees	\$ 62,589,906	\$ 56,621,643
Housing	4,160,044	3,331,893
Meal plan	<u>1,793,018</u>	<u>2,291,102</u>
Total	<u>\$ 68,542,968</u>	<u>\$ 62,244,638</u>

**Note 10. Retirement Benefits**

The University has a defined contribution plan, which is available to all eligible employees as defined by the plan document. Employees may contribute up to the IRC current maximum annual contribution limit if they are eligible for the IRC's catch-up contribution. The University makes a 100% matching contribution of up to 6% of eligible annual compensation for employees with at least 1,000 hours of continuous service with the University. The University's contribution expense for fiscal years June 30, 2025 and 2024 was \$1,172,273 and \$1,251,812, respectively.

**Note 11. Commitments and Contingencies**

The University is subject to the oversight of the U.S. Department of Education related to student financial aid and other agencies related to grant programs. Management believes that the University is in substantial compliance with the terms of these programs, and findings, if any, resulting from such oversight, would not have a material adverse impact on the University's consolidated financial statements.

**Note 12. Significant Estimates and Concentrations**

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

***Gifts and Donations***

Two donors were responsible for approximately 54% of gifts and donation revenues for the years ended June 30, 2025 and 2024.

***Pledges Receivable***

Three donors were responsible for approximately 63% of all pledges receivable as of June 30, 2025 and three donors were responsible for approximately 62% of all pledges receivable as of June 30, 2024.

### ***General Litigation***

The University is subject to claims and lawsuits that arose 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 consolidated 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.

### ***Risks and Uncertainties***

Investment securities are exposed to various market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that such changes could materially affect the amounts recorded in the consolidated statements of financial position.

## **Note 13. Investments and Disclosures About Fair Value of Assets and Liabilities**

Financial accounting standards require disclosure of fair value information about financial instruments for which it is practical to estimate fair value. As of June 30, 2025 and 2024, management estimates that (i) the carrying amounts of cash and cash equivalents; cash restricted for investment in land, building, and equipment; student accounts and other receivables; prepayments; accounts payable; accrued liabilities; deferred revenue; and U.S. Government grants refundable approximate fair values because of the short maturity of these instruments; (ii) the fair values of the University's investments in marketable securities are based upon the quoted market price on the last business day of the fiscal year; (iii) the fair values of the University's alternative investments are based on values provided by the managers of the funds; and (iv) bonds and loans payable with a carrying values of \$43,370,699 and \$43,464,389 have fair values of approximately \$31,311,137 and \$32,739,313 as of June 30, 2025 and 2024, respectively.

The University records long-term investments at fair value. Accounting standards establish a fair value hierarchy that distinguishes between assumptions based on market data (observable inputs) and the University's assumptions (unobservable inputs). Determining the level at which an asset or liability falls within the fair value hierarchy requires significant judgment and is based on the lowest-level input that is significant to the fair value measurement as a whole. The fair value hierarchy consists of three broad levels, as follows, with Level 1 being the most observable:

- Level 1** Quoted prices (unadjusted) in active markets for identical assets that the University can access at the measurement date
- Level 2** Observable inputs other than quoted prices included in Level 1
- Level 3** Unobservable inputs

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Information about the University's long-term investments that are measured at fair value and the level within the fair value hierarchy and the valuation techniques utilized to determine such fair values, is as follows as of June 30:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Investments Measured at NAV (A)</u>	<u>Total</u>
<b>2025</b>						
Cash equivalents	\$ 2,632,659	\$ 2,632,659	\$ -	\$ -	\$ -	\$ 2,632,659
Equity securities						
U.S. securities	17,758,625	17,758,625	-	-	-	17,758,625
Multi-asset fund	31,903,172	-	31,903,172	-	-	31,903,172
Alternative investments						
Private equity funds	893,388	-	-	-	893,388	893,388
Investment partnership	100,732,283	-	-	100,732,283	-	100,732,283
Investment in real estate	1,000,000	-	-	1,000,000	-	1,000,000
Total	<u>\$ 154,920,127</u>	<u>\$ 20,391,284</u>	<u>\$ 31,903,172</u>	<u>\$ 101,732,283</u>	<u>\$ 893,388</u>	<u>\$ 154,920,127</u>
<b>2024</b>						
Cash equivalents	\$ 2,515,000	\$ 2,515,000	\$ -	\$ -	\$ -	\$ 2,515,000
Equity securities						
U.S. securities	16,229,500	16,229,500	-	-	-	16,229,500
Multi-asset fund	26,957,759	-	26,957,759	-	-	26,957,759
Alternative investments						
Private equity funds	3,469,261	-	-	-	3,469,261	3,469,261
Investment partnership	95,536,020	-	-	95,536,020	-	95,536,020
Investment in real estate	1,000,000	-	-	1,000,000	-	1,000,000
Total	<u>\$ 145,707,540</u>	<u>\$ 18,744,500</u>	<u>\$ 26,957,759</u>	<u>\$ 96,536,020</u>	<u>\$ 3,469,261</u>	<u>\$ 145,707,540</u>

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

The investments in The Investment Fund for Foundations (TIFF) multi-asset fund and the investment partnership are investments made in investment vehicles managed by TIFF. Each of these funds are made up of many individual investments of varying type, duration, and liquidity. Since the University's investment positions is the overarching fund as opposed to the component investments themselves, the assets are reported in Level 2 and Level 3 of the fair value hierarchy, respectively, although some of the underlying investments could qualify for an alternative placement within the hierarchy.

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The multi-asset fund has daily liquidity and is comprised of underlying investments in funds focused on equity, debt, and commodity securities employing a variety of strategies. These strategies can be classified as follows:

<b>Category</b>	<b>Strategy Concentration as a Percent of Total Fund Assets as of June 30, 2025</b>	<b>Strategy Concentration as a Percent of Total Fund Assets as of June 30, 2024</b>
Equity-oriented assets	71%	66%
Diversifying strategies	15%	21%
Fixed income	14%	13%

*Equity-Oriented Assets:* Positions in the equity-oriented assets category are intended to be the primary long-term driver of portfolio returns and may include investments in global equities, high yield bonds, resource-related equity, and real estate investment trusts.

*Diversifying Strategies:* Assets in the diversifying strategies category are intended to generate meaningful returns while reducing equity market sensitivity. These funds may invest in hedge funds, asset-backed securities, commodity futures, and opportunistic credit assets.

*Fixed Income:* The fixed income strategy is intended to provide diversification, liquidity, and income generation and may include investments in conventional bonds, treasury inflation-protected securities, and cash.

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The investment partnership, made up entirely by an investment in the TIFF Keystone Fund, has quarterly liquidity with 75 days' notice. Similar to the multi-asset fund, the TIFF Keystone Fund has grouped its underlying assets into the same three strategies as previously described for the multi-asset fund. Investments within these categories are of similar types as described previously with the addition of private equity investments in the equity-oriented assets and diversifying strategies categories for the TIFF Keystone Fund. Asset allocation for the TIFF Keystone Fund by strategy is as follows:

Category	Strategy Concentration as a Percent of Total Fund Assets as of June 30, 2025	Strategy Concentration as a Percent of Total Fund Assets as of June 30, 2024
Equity-oriented assets – marketable	51%	35%
Equity-oriented assets – private	20%	31%
Total equity-oriented assets	71%	66%
Diversifying strategies – marketable	15%	20%
Diversifying strategies – private	0%	1%
Total diversifying strategies	15%	21%
Fixed income	14%	13%
Total	100%	100%

The University's exposure to private investments when taking into account the underlying assets of the multi-asset fund and the Keystone Fund was approximately \$29.9 million and \$33.6 million as of June 30, 2025 and 2024, respectively. This equates to 20.0% and 23.8% of the total balances for June 30, 2025 and 2024, respectively. Additionally, total exposure to alternative investments was \$51.7 million and \$56.7 million, making up 34.5% and 40.2% of the investment balances as of June 30, 2025 and 2024, respectively.

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 consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2025 and 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described in the subsequent sections.

***Cash Equivalents, Equity Securities, and Multi-asset Fund Securities***

The estimated fair values of investment securities classified as equity and fixed-income securities are included in Level 1 and Level 2 of the fair value hierarchy and are based upon quoted market prices utilizing public information for the same transactions or information provided through third-party advisers.

***Alternative Investments***

The estimated fair values of investment securities classified as private equity funds and investment partnership are included in investments measured at NAV and Level 3 of the fair value hierarchy, respectively. TIFF Endowment

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Asset Management, LLC values all restricted securities for which quotations are not readily available at fair value for the investment classified as investment partnership.

Investments in certain entities measured at fair value using the NAV per share as a practical expedient consist of the following:

	<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
<b>2025</b>					
Private equity funds	(A)	\$ 893,388	\$ 751,304	N/A	N/A
<b>2024</b>					
Private equity funds	(A)	\$ 3,469,261	\$ 1,469,227	N/A	N/A

(A) This category invests in a diversified group of pooled investment vehicles, commonly referred to as private equity funds, which include investments in buyout funds, venture capital funds, real estate funds, and diversified debt funds. The objective of these funds is to earn in excess of the public equity markets over a long-term (10–15 years) horizon. Due to the nature of investments in this category, distributions are received through liquidation of the underlying assets and would be liquidated over 5 to 15 years. The funds may invest in investment vehicles domiciled both within and outside of the United States.

***Unobservable (Level 3) Inputs***

Level 3 investments consist of the investments in the TIFF Keystone Fund. This partnership makes investments in various other funds run by independent asset managers.

Each of these funds has its own valuation methodology using different inputs depending upon the nature of the fund’s assets. TIFF’s valuation practices are as follows:

- Alternative and private investment funds: valued at fair value, as determined by “Fair Value Measurements of Investments in Certain Entities that Calculate Net Asset Value Per Share (or its equivalent),” pursuant to ASC 820. Valuation of interests in underlying investment funds is based on an amount equal to the partnership’s pro-rata interest in the net assets, which are at fair value, as reported by the management of the investment fund, adjusted for management and incentive fees, if any.
- Marketable securities listed on one of the national securities exchanges: last sale price on the valuation date or, if no sale was recorded, last bid price.
- Marketable securities traded in the over-the-counter market: closing bid price on the valuation date.

Unobservable inputs are used in the valuation of TIFF assets to the extent that relevant observable inputs are not available and consist of TIFF’s own assumptions about assumptions that a market participant would use in valuing the asset or liability, which would be based on the best information available. These inputs may also include the NAV per share or its equivalent for investments in alternative investment funds and private investment funds for which the NAV per share or its equivalent is not eligible to be used as a practical expedient for fair value.

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Additional information about assets that have been measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows as of June 30:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 96,536,020	\$ 89,885,660
Gains, realized/unrealized	9,839,890	11,296,060
Distributions	<u>(4,643,627)</u>	<u>(4,645,700)</u>
Ending balance at June 30	<u>\$ 101,732,283</u>	<u>\$ 96,536,020</u>

Investment returns, including dividends, interest, and realized and unrealized gains were classified under net assets with donor restrictions, while distributions from the endowment for operations were classified under net assets without donor restrictions. Investment returns were reported net of custodial and investment advisory fees of approximately \$520,000 and \$590,000 for the years ended June 30, 2025 and 2024, respectively.

Accounting principles permit entities to choose to measure financial instruments and other items at fair value that are not currently required to be measured at fair value. The University elected not to value any additional investments or other financial assets or liabilities at fair value. Accordingly, there is no impact on the consolidated financial statements resulting from this standard.

Level 3 investments also consist of real estate. During 2023, the University invested in real estate located near the City of Houston's Museum District with a carrying value of \$1,000,000 for the years ended June 30, 2025 and 2024.

## **Note 14. Leases**

### ***Accounting Policies***

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated 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, measured on a discounted basis. The University determines lease classification as operating or financing at the lease commencement date. Financing lease ROU assets are included in property and equipment, and lease liabilities are included in the consolidated statements of financial position.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The University uses the implicit rate when readily determinable. As most leases do not provide an implicit rate, the University uses its incremental borrowing rate based on the information available at the commencement date to determine the present value of lease payments.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

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**Nature of Leases**

The University has entered the following lease arrangements:

**Financing Leases**

These leases mainly consist of Information Technology (IT) equipment for the use of IT infrastructure improvements. Termination of the leases generally are prohibited unless there is a violation under the lease agreement. The financing lease expired in 2025.

**Operating Leases**

The University has leases for office-related equipment that expired in 2025 and were renewed in 2025. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

**Quantitative Disclosures**

The ROU asset and corresponding liability associated with future lease payments are as follows at June 30:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
<b>2025</b>			
ROU assets	\$ 365,018	\$ -	\$ 365,018
Equipment	\$ -	\$ -	\$ -
Lease liability	\$ 373,719	\$ -	\$ 373,719
Weighted-average discount rate	4.55%	0.00%	
Remaining lease term (years)	0.5	0.0	
<b>2024</b>			
ROU assets	\$ 32,600	\$ -	\$ 32,600
Equipment	\$ -	\$ 1,746,314	\$ 1,746,314
Lease liability	\$ 18,199	\$ 342,181	\$ 360,380
Weighted-average discount rate	4.55%	4.55%	
Remaining lease term (years)	0.5	1.4	

Lease costs reported in the consolidated statements of activities were as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Finance		
Amortization of ROU assets	\$ 293,701	\$ 293,701
Interest on lease liability	46,112	21,311
Total	339,813	315,012
Operating		
Operating lease costs	90,457	90,457
Total lease costs	<u>\$ 430,270</u>	<u>\$ 405,469</u>

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Future minimum lease payments and reconciliation to the consolidated statements of financial position are as follows at June 30, 2025:

	<b>Operating Leases</b>
2026	\$ 421,568
Less interest	<u>47,849</u>
Lease liabilities	<u><u>\$ 373,719</u></u>

**Note 15. Future Rental Revenue**

Adoption of FASB Topic 842 elections described above in Note 14 were also elected for lease revenue.

Future minimum rental receipts due under operating leases that have initial or remaining noncancelable lease terms are as follows after June 30, 2025:

2025	\$ 2,325,408
2026	1,826,674
2027	1,316,921
2028	832,491
2029	<u>749,534</u>
Total minimum lease receipts	<u><u>\$ 7,051,028</u></u>

**Note 16. Asset Retirement Obligation**

As of June 30, 2025 and 2024, the University has an asset retirement obligation (ARO) related to asbestos remediation in accordance with state regulations. FASB ASC 410-20, *Asset Retirement Obligations*, requires a liability for an ARO to be recorded at fair value if a reasonable estimate of fair value can be made. The University's practice is to remediate asbestos containing materials whenever a renovation, remodel, repair, or demolition has an impact on specific asbestos containing materials. A liability has not been recognized in the accompanying consolidated financial statements because the range of time over which the University may liquidate the obligation is unknown and cannot be reasonably estimated. The University continually evaluates the facts and circumstances surrounding the ARO and will recognize a liability when sufficient information is available to reasonably estimate a value.

**Note 17. Related-Party Transactions**

The University had unsecured receivables from related parties of \$312,500 and \$700,793 at June 30, 2025 and 2024, respectively. Additionally, during the years ended June 30, 2025 and 2024, the University has related contributions from board members and management of \$1,082,439 and \$649,080, respectively, included in gifts and donations on the accompanying consolidated statements of activities.

**Note 18. Subsequent Events**

The University has evaluated subsequent events through March 2, 2026, which is the date the consolidated financial statements were available to be issued.

**Note 19. U.S. Department of Education Financial Responsibility Ratio Information**

The following information is required by the U.S. Department of Education for the year ended June 30, 2025:

Unsecured related-party receivable	<u>\$ 312,500</u>
Property, plant, and equipment, including construction in progress, net of accumulated depreciation – pre-implementation	\$ 95,297,821
Property, plant, and equipment, including construction in progress, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	<u>18,083,993</u>
Total property, plant and equipment, net	<u>\$ 113,381,814</u>
ROU lease asset – operating leases, net of accumulated amortization – post-implementation	\$ 365,018
Long-term debt obtained for long-term purposes – pre-implementation	\$ 28,855,390
Long-term debt obtained for long-term purposes – post-implementation	\$ 3,791,820
Operating lease liability – post-implementation	\$ 373,719

***Supplementary Information***

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**Financial Responsibility Supplemental Schedule Required**  
**by the U.S. Department of Education**  
**June 30, 2025**

Ratio Element	Reference to Consolidated Financial Statements	2025
<b>Primary Reserve Ratio</b>		
<b>Expendable Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	\$ 53,966,180
Net assets with donor restrictions	Statement of Financial Position	\$ 191,045,992
Net assets with donor restrictions – restricted in perpetuity	Note 6	\$ 99,010,847
Unsecured related-party receivable	Note 17	\$ 312,500
Property, plant, and equipment, including construction in progress, net of accumulated depreciation – pre-implementation	Note 19	\$ 95,297,821
Property, plant, and equipment, including construction in progress, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	Note 19	18,083,993
Total property, plant, and equipment, net	Statement of Financial Position	<u>113,381,814</u>
ROU lease asset – operating leases, net of accumulated amortization – post-implementation	Note 14	\$ 365,018
Long-term debt obtained for long-term purposes – pre-implementation	Note 19	\$ 28,855,390
Long-term debt obtained for long-term purposes – post-implementation	Note 19	\$ 3,791,820
Operating lease liability – post-implementation	Note 14	\$ 373,719
<b>Total Expenses and Losses</b>		
Total expenses without donor restrictions	Statement of Activities	\$ 100,160,833
Change in fair value of split interest agreements	Statement of Activities	\$ (32,060)
<b>Equity Ratio</b>		
<b>Modified Net Assets</b>		
Net assets without donor restrictions	Statement of Financial Position	\$ 53,966,180
Net assets with donor restrictions	Statement of Financial Position	\$ 191,045,992
Unsecured related-party receivables	Note 17	\$ 312,500
<b>Modified Assets</b>		
Total assets	Statement of Financial Position	\$ 305,055,541
Unsecured related-party receivables	Note 17	\$ 312,500
<b>Net Income Ratio</b>		
Change in net assets without donor restrictions	Statement of Activities	\$ (7,625,622)
Total operating revenue	Statement of Activities	\$ 91,640,039
Nonoperating gain on endowment	Statement of Activities	501,251
Discretionary reinvestment of endowment earnings	Statement of Activities	424,877
Change in fair value of split interest agreements	Statement of Activities	(32,060)
Net assets released from restrictions	Statement of Activities	1,104
Total revenue and gains without donor restrictions		<u>\$ 92,535,211</u>