

St. Mary's University

Audited Financial Statements

For the fiscal year ended May 31, 2026

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Report of Independent Auditors

Management and the Board of Trustees
St. Mary's University

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of St. Mary's University (the University), which comprise the statements of financial position as of May 31, 2026 and 2025, and the related statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University at May 31, 2026 and 2025, 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 Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 of material misstatement, whether due to fraud or error.

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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 for 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 of 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 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 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.

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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 financial statements as a whole. The supplemental schedule, *Financial Responsibility Supplementary Schedule Required by the U.S. Department of Education*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 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.

Ernst & Young LLP

September 29, 2026

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STATEMENTS OF FINANCIAL POSITION

May 31, 2026 and 2025 *(in thousands)*

	2026	2025
ASSETS:		
Cash and cash equivalents	$ 33,737	$ 36,451
Receivables:		
Student accounts, net	1,518	2,333
Other accounts, net	1,452	3,105
Contributions, net	7,810	6,173
Student loans, net	518	696
Prepaid expenses	686	449
Investments	271,939	246,327
Funds held in trust by others	7,391	6,318
Land, buildings and equipment, net	112,764	115,257
Other assets	7,065	6,108
Total Assets	$ 444,880	$ 423,217
LIABILITIES:		
Accounts payable and accrued liabilities	$ 4,226	$ 3,605
Accrued salaries and benefits	3,560	3,650
Student deposits	470	364
Other deposits	824	851
Deferred revenue and other liabilities	8,502	8,649
Indebtedness	29,886	32,225
U.S. Government advances for student loans	1,203	1,393
Total Liabilities	48,671	50,737
NET ASSETS:		
Without donor restrictions	140,790	148,305
With donor restrictions	255,419	224,175
Total Net Assets	396,209	372,480
Total Liabilities and Net Assets	$ 444,880	$ 423,217

See accompanying notes.

STATEMENT OF ACTIVITIES

For the year ended May 31, 2026 *(in thousands)*

	Without donor restrictions	With donor restrictions	Total
OPERATING ACTIVITIES:			
OPERATING REVENUES:			
Net tuition and fees (net of scholarship and student aid of $61,487)	$ 63,235	$ -	$ 63,235
Contributions	1,348	8,393	9,741
Contributions of nonfinancial assets	1,005	-	1,005
Government grants and contracts	10,761	-	10,761
Investment return designated for current operations	21,337	8,695	30,032
Other income	4,052	-	4,052
Auxiliary enterprises	12,735	-	12,735
Net assets released from restrictions	11,705	(11,705)	-
Total operating revenues	126,178	5,383	131,561
EXPENSES:			
Education and general expenses:			
Academic programs:			
Instruction	45,227	-	45,227
Academic support	15,750	-	15,750
Research	1,338	-	1,338
Public service	2,784	-	2,784
Total academic programs	65,099	-	65,099
Management and general:			
Student services	21,922	-	21,922
Institutional support	24,100	-	24,100
Total management and general	46,022	-	46,022
Total education and general expenses	111,121	-	111,121
Auxiliary enterprises	13,028	-	13,028
Total expenses	124,149	-	124,149
Change in net assets from operating activities	2,029	5,383	7,412
NON-OPERATING ACTIVITIES:			
Investment income, net of expenses of $1,340	2,130	2,376	4,506
Net assets released from restrictions	444	(444)	-
Net capital gain on investments	9,219	32,624	41,843
Investment return designated for current operations	(21,337)	(8,695)	(30,032)
Change in net assets	(7,515)	31,244	23,729
Net assets at beginning of year	148,305	224,175	372,480
Net assets at end of year	$ 140,790	$ 255,419	$ 396,209

See accompanying notes.

STATEMENT OF ACTIVITIES

For the year ended May 31, 2025 *(in thousands)*

	Without donor restrictions	With donor restrictions	Total
OPERATING ACTIVITIES:			
OPERATING REVENUES:			
Net tuition and fees (net of scholarship and student aid of $56,951)	$ 59,294	$ -	$ 59,294
Contributions	3,753	9,960	13,713
Contributions of nonfinancial assets	720	-	720
Government grants and contracts	15,418	-	15,418
Investment return designated for current operations	5,524	8,358	13,882
Other income	4,167	-	4,167
Auxiliary enterprises	12,751	-	12,751
Net assets released from restrictions	10,897	(10,897)	-
Total operating revenues	112,524	7,421	119,945
EXPENSES:			
Education and general expenses:			
Academic programs:			
Instruction	43,461	-	43,461
Academic support	14,534	-	14,534
Research	1,733	-	1,733
Public service	2,487	-	2,487
Total academic programs	62,215	-	62,215
Management and general:			
Student services	20,769	-	20,769
Institutional support	22,427	-	22,427
Total management and general	43,196	-	43,196
Total education and general expenses	105,411	-	105,411
Auxiliary enterprises	13,259	-	13,259
Total expenses	118,670	-	118,670
Change in net assets from operating activities	(6,146)	7,421	1,275
NON-OPERATING ACTIVITIES:			
Investment income, net of expenses of $1,190	2,950	2,227	5,177
Net assets released from restrictions	3,146	(3,146)	-
Net capital (loss)/gain on investments	(4,264)	14,237	9,973
Investment return designated for current operations	(5,524)	(8,358)	(13,882)
Change in net assets	(9,838)	12,381	2,543
Net assets at beginning of year	158,143	211,794	369,937
Net assets at end of year	$ 148,305	$ 224,175	$ 372,480

See accompanying notes.

STATEMENTS OF CASH FLOWS

For the years ended May 31, 2026 and 2025 *(in thousands)*

	2026	2025
OPERATING ACTIVITIES:		
Change in net assets	$ 23,729	$ 2,543
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Loan assignments and cancellations	61	84
Amortization of bond discount, issuance costs and right-to-use assets	203	151
Net realized and unrealized gains on investments	(41,843)	(9,973)
Loss/(Gain) on disposal of land, buildings and equipment	1	(15)
Depreciation	6,391	6,066
Contributions and income restricted for long-term investment	(3,068)	(2,482)
Changes in operating assets and liabilities:		
Student and other accounts receivable	2,412	(393)
Contributions receivable	(1,637)	(1,323)
Prepaid expenses and other assets	(437)	426
Accounts payable and accrued liabilities, salaries and benefits	6	404
Deposits and deferred revenue	(70)	(239)
Agency transactions – cash received	53,644	51,161
Agency transactions – cash disbursed	(53,641)	(51,154)
Net cash used in operating activities	(14,249)	(4,744)
INVESTING ACTIVITIES:		
Collection of student loans	173	218
Proceeds from sales of investments	133,931	94,705
Purchases of investments	(119,734)	(85,442)
Proceeds from sale of land, buildings and equipment	-	65
Additions to buildings and equipment	(3,374)	(10,461)
Net cash provided by (used in) investing activities	10,996	(915)
FINANCING ACTIVITIES:		
Proceeds from contributions and income restricted for long-term investment	3,068	2,482
Payments on indebtedness	(2,339)	(2,313)
Net decrease in U.S. Government advances for student loans	(190)	(338)
Net cash provided by (used in) financing activities	539	(169)
Net decrease in cash and cash equivalents	(2,714)	(5,828)
Cash and cash equivalents at beginning of year	36,451	42,279
Cash and cash equivalents at end of year	$ 33,737	$ 36,451
SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION:		
Cash paid for interest	$ 1,227	$ 1,490
Accrued construction-in-progress	$ 825	$ 300

See accompanying notes.

Notes to Financial Statements *(in thousands)*

1. Summary of Significant Accounting Policies

General

St. Mary's University (the University) is an independent, not-for-profit Marianist Catholic institution in San Antonio, Texas, founded in 1852 by the Society of Mary. The University is organized into four schools and offers classes that lead to Bachelors, Masters, Ph.D. and Juris Doctor degrees. Revenues are derived primarily from tuition, fees and auxiliary services.

Basis of Presentation

The accompanying financial statements of the University have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The University maintains its accounts in accordance with the principles of fund accounting. Resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund. For reporting purposes, however, the University classifies net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions
Use is not subject to donor-imposed stipulations; may be designated for specific purposes by action of the Board of Trustees.

Net Assets With Donor Restrictions
Use is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time or can be fulfilled or otherwise removed by the University.

The University follows the policy of reporting restricted contributions and restricted endowment income on the statements of activities as increases in net assets with donor restrictions in the period received. Cash donations to acquire long-lived assets are recorded as donor-restricted until the asset is acquired, and expenses are generally reported as decreases in net assets without donor restrictions. Expirations of donor-imposed stipulations are reclassified to the without donor restrictions category and reported as net assets released from restrictions. Contributions with donor restrictions that are received and expended in the same period are reported as revenues in net assets with donor restrictions and included in net assets released from restrictions.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less.

Allowances for Doubtful Accounts

For receivables arising from revenue contracts, the University has elected the practical expedient under ASC 326-20-30-10C. Accordingly, management assumes that economic conditions existing as of the balance sheet date remain unchanged over the remaining life of the assets when estimating the allowance for doubtful accounts.

Allowances for doubtful student accounts receivable and student loans ($2,400 and $185, respectively, at May 31, 2026, and $1,990 and $241, respectively, at May 31, 2025) are determined annually based upon historical experience, aging of receivables, loans in default and an analysis of collections.

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises made to the University, are recognized as revenues in the period received. Conditional promises are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Unconditional promises that are expected to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based upon management's estimate, including such factors as prior collection history, type of contribution, current economic conditions and nature of fundraising activity.

Contributed services are reflected in the financial statements at the fair value of the services received. Contributions of services are recognized if the services received create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically be purchased if not provided by donation. The fair value of contributed services was $1,005 and $720 for the years ended May 31, 2026 and 2025, respectively.

Investments

Investments in marketable equity securities with readily determinable fair values and all investments in debt securities are reported at their fair value. Fair value is 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.

Investments in securities traded on a national exchange are valued at the last reported bid price. Over-the-counter securities and government obligations are valued at the bid price or the average bid and ask price on the last business day of the year from published sources where available and, if not available, from other sources considered reliable. The University's marketable securities do not represent significant concentrations of market risk as the portfolio is diversified across strategies, managers and geography. The fair value of real estate investments is based on the most current quarterly financial information for the real estate trusts. The fair value of mineral rights is estimated based on the income stream those assets generate. Investments received by gift or bequest are carried at fair value at the date of the gift. If fair value is not determinable at the date of the gift, the asset received by gift or bequest is recorded at a nominal value.

The University's investments in certain institutional commingled funds or alternative investments are not publicly traded. These funds comprise 24% and 31% of total investment securities at May 31, 2026 and 2025, respectively. These investments contain underlying funds, which may include marketable securities, limited partnerships, limited liability companies or non-U.S. corporations and are valued at redemption values that represent the net asset value of the units held at year-end. These investments entail liquidity risks to the extent that they may be difficult to sell or may not be converted to cash quickly at favorable prices. All of the funds are diversified across strategies, managers and geography.

Purchases and sales of securities are recorded as of the trade date. Realized gains and losses on sales of securities are determined on the basis of average cost. Interest income is recognized on the accrual basis, and dividend income is recognized on the ex-dividend date. Investment securities are exposed to various risks, such as interest rate, liquidity, 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 such changes could materially affect the amounts reported on the statements of financial position.

1. Summary of Significant Accounting Policies (continued)

In accordance with the Texas Uniform Prudent Management of Institutional Funds Act of 2007 (UPMIFA), dividends, interest, gains, losses and other investment income are reported on the statements of activities as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulations or by law. In the absence of donor stipulations or law to the contrary, gains and losses on the investments of a donor-restricted endowment fund increase and reduce net assets with donor restrictions. If losses reduce the fair value of a donor-restricted endowment fund below the level required by the donor stipulations of law, these losses are reported as reductions in the net assets without donor restrictions as of year-end. Any gains that restore the fair value of the donor-restricted endowment fund are reported as increases in net assets without donor restrictions in the subsequent year when gains were incurred.

Fair Value Measurements

Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are described below.

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access. The types of investments included as Level 1 include listed equities, U.S. Government and agency obligations, and frequently traded corporate bonds.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted market prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 types of investments include funds held in trust by others (see Note 4), real estate trusts, mineral rights, venture capital funds and privately held hedge funds.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodologies described herein may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The methodologies used to determine fair value have been consistent for the years ended May 31, 2026 and 2025.

Land, Buildings and Equipment

Land, buildings and equipment are stated at cost or, if donated, at fair value at the date of gift. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Net interest incurred during the construction phase of major plant additions is capitalized.

1. Summary of Significant Accounting Policies (continued)

Leases

The University determines whether a lease exists at the inception of a contract. Leases with an initial term of 12 months or less are not recorded on the statements of financial position. Right-of-use assets and lease liabilities are recognized at each lease's commencement date, based on the present value of its lease payments over its respective lease term. The University's incremental borrowing rate is used based on information available at the lease commencement date to determine the present value of its lease payments. The University has financing right-of-use assets of $382 and $276, which is included in other assets and financing right-of-use liabilities of $394 and $292, which is included in accounts payable and accrued liabilities on the statements of financial position as of May 31, 2026 and 2025, respectively.

Collections of Art

The University's works of art, historical treasures and artifacts are protected and preserved for education, research and public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recorded for financial statement purposes.

Tax Status

The University is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) of the Internal Revenue Code (the Code). This exemption does not apply to unrelated business income, as defined by Section 512(a)(1) of the Code, which is subject to federal income tax. The University had no material tax liability resulting from such unrelated business income in 2026 or 2025. U.S. GAAP requires management to evaluate uncertain tax positions taken by the University. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the Internal Revenue Service or U.S. Department of Treasury.

Management has analyzed the tax positions taken by the University and has concluded that, as of May 31, 2026, there are no uncertain positions taken or expected to be taken. The University has recognized no interest or penalties related to uncertain tax positions. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue Recognition

Revenue is recognized as performance obligations are satisfied, which are determined based on the nature of the services and goods provided.

Tuition and fees, and room and board revenue, are deemed to result in separate performance obligations and have been treated as separate contracts in the University's financial statements. These are recognized under Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. Tuition and fee revenues are reflected net of reductions from scholarships and student aid and are recognized in the fiscal year in which the educational services are provided to the students. Tuition and fees collected that are applicable to future academic terms are recorded as deferred revenue. Performance obligations for auxiliary income (room and board) are delivered over the related academic semester, and the revenue is recognized when goods or services are provided.

The University receives grant and contract revenue from federal, state and local agencies, which is dependent upon certain performance requirements. Revenue is recognized when the performance obligation is met, which is generally when the qualifying expense has been incurred.

These revenues are presented disaggregated on the statements of activities as net tuition and fees, other income and auxiliary enterprises.

1. Summary of Significant Accounting Policies (continued)

Total accounts receivable from contracts with students and other customers are included in student accounts receivable and other receivables. Contract receivables, net of allowance, total $2,214 and $4,750 as of May 31, 2026 and 2025, respectively. Contract liabilities in the amount of $1,149 and $2,026 are included in deferred revenue as of May 31, 2026 and 2025, respectively.

Scholarships and Student Aid

Scholarships and student aid represent the difference between the stated charge for goods and services provided by the University and the amount billed to students and/or third parties making payments on behalf of students for tuition and fees. Scholarships are recognized as direct reductions of revenue consistent with the timing of recognition associated with the related performance obligations. Students may receive discounts or price adjustments that, based on historical University practice, represent implied price concessions and are accounted for as variable consideration. The reduction in the transaction price that results from this estimate of variable consideration reflects the amount to which the University does not expect to be entitled in exchange for the goods and services it will transfer to the students. Scholarships for room, board and books are included in auxiliary expense. Amounts are funded by endowment earnings, contributions, federal and state grants, and unrestricted revenues of the University. These estimates of variable consideration are recorded as direct reductions of revenue consistent with the timing of recognition associated with the related performance obligation. Unrestricted revenues of the University funded scholarships and student aid were $49,483 and $44,685 for the years ended May 31, 2026 and 2025, respectively.

Functional Allocations of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis on the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using a methodology consistent with prior years.

Fundraising

Fundraising is expensed as incurred and included in institutional support. Expenses were $3,298 and $3,118 for the fiscal years ended May 31, 2026 and 2025, respectively.

Federal Student Financial Aid Programs

Prior to the cancellation of the Federal Perkins Student Loan program effective September 30, 2018, funds provided by the U.S. Government under the Federal Perkins Student Loan program were loaned to qualified students and re-loaned as collections were made. These funds are ultimately refundable to the U.S. Government and are, therefore, recorded as a long-term liability. Such funds required the University to provide a matching amount that varied according to regulations during operation of the program.

Agency Transactions

Activities of Federal Direct Lending, Pell Grants (Pell), the Veterans Affairs (VA) Yellow Ribbon Program and the Texas Be-On-Time Loan Program are considered to be agency transactions. These transactions are not reflected on the statements of activities, but are reflected on the accompanying statements of cash flows.

The University also maintains accounts for local not-for-profit organizations, student organizations, fundraising events and the Society of Mary (see Note 12). These transactions are excluded from the statements of activities as they are not University activities, but are reflected on the accompanying statements of cash flows.

1. Summary of Significant Accounting Policies (continued)

Retirement Plans

The University has a defined contribution retirement plan administered by providers of retirement services, which covers substantially all of its employees upon completing one year of service and working at least 1,000 hours. The Plan allows the University to make discretionary matching contributions as it determines with respect to eligible participants. The University contributes discretionary matching contributions equal to 100% on the first 7% of the participant's contributed elective deferral. The University's contributions for the years ended May 31, 2026 and 2025 totaled $2,392 and $2,319, respectively.

The University has a 457(b) deferred compensation plan administered by providers of retirement services for certain members of the University's management. Contributions are made by the employees, and no amounts are contributed by the University. The assets are held in a grantor trust which requires that they be used to satisfy plan obligations to participants and beneficiaries unless the University becomes insolvent. The University has recorded both an asset and a liability related to the plan of $6,378 and $5,527 as of May 31, 2026 and 2025, respectively. The asset is included in "Other Assets" and the liability is included in "Deferred Revenue and other liabilities" on the University's Statements of Financial Position. The University has recorded net gain on investments for the 457(b) plan assets and salary expense of $960 and $482 for the years ended May 31, 2026 and 2025, respectively.

Subsequent Events

Subsequent events were evaluated through September 29, 2026, which is the date the accompanying financial statements were available to be issued.

2. Liquidity and Availability

The University's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	Year Ended May 31, 2026	Year Ended May 31, 2025
Total assets at year-end	$ 444,880	$ 423,217
Less:		
Pledges receivable due in more than one year	(4,214)	(4,281)
Donor-restricted endowment funds	(235,704)	(205,452)
Board-designated endowment funds	(58,643)	(68,258)
Land, buildings and equipment, net	(112,764)	(115,257)
Other assets	(7,065)	(6,108)
Financial assets available at year-end for current use	$ 26,490	$ 23,861

As part of the University's liquidity management, financial assets are structured to be available as general expenditures, liabilities and other obligations come due. Additionally, the University has a board-designated endowment of $58,643 and $68,258 as of May 31, 2026 and 2025, respectively. In addition to amounts appropriated for general expenditure as part of the annual budget approval and appropriation process, during fiscal years ended May 31, 2026 and 2025, respectively, additional board-designated amounts of $16,000 and $0 were appropriated to provide general operating support. Both the board-designated endowment funds and donor-restricted endowments contain investments with lock-up provisions that reduce the total investments that could be made available (see Note 4 for disclosures about investments).

3. Contributions Receivable

Contributions receivable consist of unconditional promises to give, which the University received and are outstanding at May 31, 2026 and 2025. Receivables with maturities of more than one year are reflected at present value of estimated future cash flows using a discount rate appropriate to the term of the receivable. Most of the contributions are donor restricted primarily for future building acquisitions or scholarships.

Maturities of contributions receivable at May 31 are as follows:

	2026	2025
Less than one year	$ 3,596	$ 1,892
One to five years	3,553	4,951
More than five years	1,425	-
Total contributions	8,574	6,843
Discount	(764)	(670)
Net contributions receivable	$ 7,810	$ 6,173

4. Cash and Cash Equivalents, Investments and Funds Held in Trust by Others

Cash and cash equivalents, investments and funds held in trust by others have the following positions based on the ASC 820 fair value hierarchy levels, as described in Note 1.

	Assets at Fair Value as of May 31, 2026			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents:				
Money Market funds	$ 31,346	$ -	$ -	$ 31,346
Investments:				
U.S. corporate bonds and notes	$ 14,652	$ -	$ -	$ 14,652
U.S. equities	109,432	-	-	109,432
International equities	45,914	-	-	45,914
Emerging markets mutual funds	12,388	-	-	12,388
U.S. intermediate government/credit bond funds	-	16,460	-	16,460
International intermediate bond funds	-	1,349	-	1,349
U.S. mineral rights	-	-	1,712	1,712
Subtotal	$ 182,386	$ 17,809	$ 1,712	$ 201,907
Investments measured at net asset value:				
U.S. real estate trust funds				$ 6,423
Credit long-short hedge fund				9,913
Multi-strategy hedge funds				33,374
Multi-strategy private equities funds				20,322
Total Investments				$ 271,939
Funds held in trust by others			$ 7,391	7,391
Total assets at fair value				$ 279,330

	Assets at Fair Value as of May 31, 2025			
	Level 1	Level 2	Level 3	Total
Investments:				
U.S. corporate bonds and notes	$ 16,576	$ -	$ -	$ 16,576
U.S. equities	73,528	-	-	73,528
International equities	40,780	-	-	40,780
Emerging markets mutual funds	8,611	-	-	8,611
U.S. intermediate government/credit bond funds	-	17,409	-	17,409
International intermediate bond funds	-	1,370	-	1,370
U.S. mineral rights	-	-	2,604	2,604
Subtotal	$ 139,495	$ 18,779	$ 2,604	$ 160,878
Investments measured at net asset value:				
U.S. equities fund				$ 13,267
U.S. real estate trust funds				6,370
Credit long-short hedge fund				9,316
Multi-strategy hedge funds				33,445
Multi-strategy private equities funds				23,051
Total Investments				$ 246,327
Funds held in trust by others			$ 6,318	6,318
Total assets at fair value				$ 252,645

4. Cash and Cash Equivalents, Investments, and Funds Held in Trust by Others (continued)

The following table includes additional disclosures for the fair value measurements of investments in certain entities that calculate fair value using net asset value per share.

	Assets at Fair Value as of May 31, 2026			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. real estate trusts[b]	$ 6,423	$ -	Subject to approval	45 days before the quarter ends
Credit long-short hedge fund[c]	9,913	-	Quarterly	45 days before the quarter ends
Multi-strategy hedge funds[d]	33,374	-	Quarterly	60-65 days before the quarter ends
Multi-strategy private equities funds[e]	20,322	5,202	Subject to approval	
International hedge funds[f]	-	-	Subject to approval	
Total	$ 70,032	$ 5,202		

	Assets at Fair Value as of May 31, 2025			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
U.S. equities funds[a]	$ 13,267	$ -	Monthly	6-15 days
U.S. real estate trusts[b]	6,370	-	Subject to approval	45 days before the quarter ends
Credit long-short hedge fund[c]	9,316	-	Quarterly	45 days before the quarter ends
Multi-strategy hedge funds[d]	33,445	-	Quarterly	60-65 days before the quarter ends
Multi-strategy private equities funds[e]	23,051	5,653	Subject to approval	
International hedge funds[f]	-	-	Subject to approval	
Total	$ 85,449	$ 5,653		

[a] U.S. equities funds include investments that are traded securities in the United States; however, the value of the fund itself can only be derived based on those holdings.

[b] U.S. real estate trusts include investments in a trust and a limited partnership that invest in real estate. Management of the trust and partnership manage their respective investment portfolios.

[c] Credit long-short hedge funds primarily include investments in U.S. high yield debt, consisting of securities rated lower than Baa3/BBB- by Moody's or Standard & Poor's, respectively. The fund may take long/short positions in securities or obligations or any other claims at any position in the capital structure of a high yield issuer, including bank debt, bonds, preferred stock and equities.

[d] Multi-strategy hedge funds consist of a concentrated group of hedge funds across various strategies, including long/short equity, event-driven, relative value and global asset allocation in the traditional LP structure. Management of the funds manage their respective investment portfolios.

[e] Multi-strategy private equities include investments that pursue multiple strategies that invest in buy-out, venture capital, special situations, real estate, international and other areas of opportunity. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

[f] International hedge funds include investments in international securities outside of the United States. Management of the trust and partnership manage their respective investment portfolios.

4. Cash and Cash Equivalents, Investments, and Funds Held in Trust by Others (continued)

The fair value measurement Level 3 reconciliation is as follows:

	U.S. mineral rights	Funds held by others	Total
Balance at May 31, 2024	$ 12,014	$ 5,856	$ 17,870
Net (loss) gain realized and unrealized	(9,410)	462	(8,948)
Balance at May 31, 2025	$ 2,604	$ 6,318	$ 8,922
Net (loss) gain realized and unrealized	(892)	1,073	181
Balance at May 31, 2026	$ 1,712	$ 7,391	$ 9,103

At May 31, investments included the Myra Stafford Pryor Free Enterprises Trust, a perpetual trust fund held by the University for a "Chair in Free Enterprise" and scholarships.

	2026	2025
Fair value	$ 1,865	$ 1,652
Income distributed	81	80

At May 31, funds held in trust by others consisted of the Emil C.E. Jurica Endowment Trust, an irrevocable trust formed for the sole benefit of the University. Assets are held and managed by the Emil C.E. Jurica Endowment Trust trustees, and income is to be used for the Bill Greehey School of Business. The fair value of the funds held in trust by others is based on the University's portion of the fair value of the underlying investments held by the trust.

	2026	2025
Fair value	$ 7,391	$ 6,318
Income distributed	89	50

5. Land, Buildings and Equipment

Land, buildings and equipment consisted of the following as of May 31:

	Estimated Useful Lives	2026	2025
Land		$ 606	$ 606
Buildings	45 years	157,044	157,044
Building improvements, parking lots and drives	20 years	49,469	47,147
Equipment	5 to 25 years	27,501	26,716
Library books	5 years	37,399	36,968
Construction-in-progress		316	505
Land, buildings and equipment		$ 272,335	$ 268,986
Less accumulated depreciation		(159,571)	(153,729)
Land, buildings and equipment, net		$ 112,764	$ 115,257

6. Indebtedness

Indebtedness at May 31 consisted of the following:

	Interest Rate	Final Maturity	2026 Principal Payments	Unpaid Principal 2026	Unpaid Principal 2025
$8,500 Restructured Revenue Bonds of 2007 For residence hall construction; issued through the City of Olmos Park, San Antonio, Texas, Higher Education Facilities Corporation; payable semi-annually	1.878% to 2.35%	May 2030	$ 415	$ 1,845	$ 2,260
$6,290 Refunded Revenue Bonds of 2020 For extinguishment of 2008 revenue bonds, for residence hall construction; issued through the City of Olmos Park, San Antonio, Texas, Higher Education Facilities Corporation; payable semi-annually	1.878% to 2.55%	May 2032	510	3,360	3,870
$25,000 Note Payable 2016 For residence hall construction; issued through the City of San Antonio, Texas, Higher Education Facilities Corporation. Interest payable monthly (3.93% as of May 31, 2026) and principal payable annually. Extension option, subject to lender approval, on September 30, 2026	SOFR+.70%	Sept 2026	1,000	16,000	17,000
$15,000 Note Payable 2022 For academic building construction; issued through the City of San Antonio, Texas, Higher Education Facilities Corporation. Interest payable monthly (3.47% as of May 31, 2026) and principal payable semi-annually. Extension option, subject to lender approval, on October 26, 2032	SOFR+.53%	Oct 2032	414	8,681	9,095
$3,000 Taxable Note Payable 2026 For various facilities projects. Interest payable monthly, and principal payable semi-annually; Borrowings can be drawn thru November 15, 2027. Extension option, subject to lender approval, on May 15, 2031	SOFR+1.35%	May 2031	-	-	-
$9,000 Note Payable 2026 For various facilities projects, issued through the City of San Antonio, Texas, Higher Education Facilities Corporation. Interest payable monthly, and principal payable semi-annually; Borrowings can be drawn thru November 15, 2027. Extension option, subject to lender approval, on May 15, 2031	SOFR+.97%	May 2031	-	-	-
Total			$ 2,339	$ 29,886	$ 32,225

6. Indebtedness (continued)

In May 2026, the University entered into a $10 million revolving line of credit agreement. Each advance outstanding bears interest at the adjusted daily Secured Overnight Financing Rate (SOFR) plus 1.10%. There were no outstanding borrowings at May 31, 2026 and the agreement terminates on May 27, 2027.

Combined aggregate amounts of principal maturities and interest for indebtedness are as follows:

	Principal	Interest	Total
2027	$ 17,378	$ 687	$ 18,065
2028	1,404	493	1,897
2029	1,434	452	1,886
2030	1,468	409	1,877
2031	993	365	1,358
Thereafter	7,209	454	7,663
Total	$ 29,886	$ 2,860	$ 32,746

7. Net Assets Released From Restrictions

Sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by donors were as follows during the years ended May 31:

	2026	2025
Academic programs	$ 3,989	$ 3,739
Community service	820	641
Operational support	1,024	953
Scholarships	5,872	5,564
Total operating activities	$ 11,705	$ 10,897
Non-operating activities, building improvement	$ 444	$ 3,146

8. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions consist of gifts, other unexpended revenues and gains restricted for the following as of May 31:

	2026	2025
Academic programs	$ 108,383	$ 96,397
Community service	2,776	3,266
Operational support and construction	14,849	9,218
Scholarships	129,411	115,294
Total	$ 255,419	$ 224,175

9. Endowment Net Asset Classifications

The University's endowment consists of 466 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. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

9. Endowment Net Asset Classifications (continued)

The Board of Trustees of the University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the University 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.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds: duration and preservation of the fund; purposes of the University and the donor-restricted endowment fund; general economic conditions; possible effects of inflation and deflation; expected total return from income and the appreciation of the investments; and investment policies of the University.

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

Endowment investments are diversified to achieve a reasonable defense against loss of corpus or future purchasing power, while stabilizing the amount available for current spending. Taking these factors into consideration, the University's spending policy is to distribute up to 4.75% of the three-year moving average of the total endowment market value, along with utilization of any prior year carryforward balances subject to University policies.

The endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, May 31, 2025	$ 68,258	$ 205,452	$ 273,710
Investment return			
Investment income	666	2,376	3,042
Net appreciation	8,637	32,624	41,261
Total investment gain	9,303	35,000	44,303
Contributions	4	2,602	2,606
Transfers	-	1,345	1,345
Appropriated for expenditure	(18,922)	(8,695)	(27,617)
Endowment net assets, May 31, 2026	$ 58,643	$ 235,704	$ 294,347

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in with donor-restricted net assets, were $8 and $0 as of May 31, 2026 and 2025, respectively. Endowment deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new donor-restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

10. Net Assets

The University's net assets as of May 31 include the following:

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Nature of Specific Net Assets						
Undesignated	$ 1,963	$ -	$ 1,963	$ (1,614)	$ -	$ (1,614)
Donor-restricted	-	18,660	18,660	-	17,619	17,619
Donor-restricted endowment funds	-	235,704	235,704	-	205,452	205,452
Board-designated endowment funds	58,643	-	58,643	68,258	-	68,258
Net physical and other assets	80,184	1,055	81,239	81,661	1,104	82,765
Total	$ 140,790	$ 255,419	$ 396,209	$ 148,305	$ 224,175	$ 372,480

11. Functional and Natural Expenses

The accompanying financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, and office and occupancy. Depreciation expense is allocated on tangible assets over its estimated useful life. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the external debt.

For the year ended May 31, 2026, functional and natural expense consists of the following:

	Academic and student services	Auxiliaries	Program Total	Institutional support	Total
Salaries and Benefits	$ 60,361	$ 2,390	$ 62,751	$ 14,590	$ 77,341
Professional Services	1,224	5,124	6,348	1,042	7,390
Occupancy	3,005	2,948	5,953	1,060	7,013
Depreciation	3,991	1,469	5,460	931	6,391
Interest on indebtedness	-	858	858	108	966
Operating expenses	18,440	239	18,679	6,369	25,048
Total expenses	$ 87,021	$ 13,028	$ 100,049	$ 24,100	$ 124,149

For the year ended May 31, 2025, functional and natural expense consists of the following:

	Academic and student services	Auxiliaries	Program Total	Institutional support	Total
Salaries and Benefits	$ 57,549	$ 2,359	$ 59,908	$ 13,834	$ 73,742
Professional Services	876	5,192	6,068	886	6,954
Occupancy	3,315	2,631	5,946	1,121	7,067
Depreciation	3,787	1,472	5,259	807	6,066
Interest on indebtedness	-	1,412	1,412	24	1,436
Operating expenses	17,457	193	17,650	5,755	23,405
Total expenses	$ 82,984	$ 13,259	$ 96,243	$ 22,427	$ 118,670

12. Related-Party Transactions

The Society of Mary is represented on the University Board of Trustees and the Corporation. The Members of the Corporation (Provincial Superior and six other Provincial Council members of the Society of Mary, Province of the United States, President of the University, and the Chairperson of the Board of Trustees), upon recommendation of the Board of Trustees, approve the Bylaws of the University, the nomination of the individuals to serve on the Board of Trustees, the sale and transfer of properties, and the distribution of assets in the event of dissolution.

The Marianist Province of the United States (Marianists), the Marianist Fund for St. Mary's University, and Marianist Communities, combined, contributed amounts to the University of $620 and $583 for the years ended May 31, 2026 and 2025, respectively. These contributions are reported as donor-restricted private gifts. The Marianists own and operate certain properties within the University's campus boundaries. The University pays certain bills on behalf of the Marianists and then is reimbursed on a periodic basis.

The University receives endowment gifts from the University Alumni Association (the Association), a separate organization that is not consolidated into the accompanying financial statements of the University. Gifts from the Association of $89 and $69 for the years ended May 31, 2026 and 2025, respectively, are recorded as donor-restricted private gifts.

13. Commitments and Contingencies

The estimated remaining costs to be incurred under construction contracts were $794 and $882 as of May 31, 2026 and 2025, respectively.

14. Department of Education Financial Responsibility

The United States Department of Education (DOE) issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Federal Title IV regulations. The following disclosures include additional information to be used by the DOE in the calculations.

Net assets with donor restrictions, as reported on the accompanying statements of financial position, are disaggregated below:

Net assets with donor restrictions - annuities	$	11,113
Net assets restricted by purpose and time		136,928
Net assets restricted in perpetuity		107,378
Total net assets with donor restrictions	$	255,419

Net Receivables, Other accounts, net are disaggregated below:

Other accounts receivable related party	$	81
Other accounts, net		1,371
Total Other accounts, net	$	1,452

Net Receivables, Contributions net are disaggregated below:

Contribution receivable related party	$	347
Contribution receivable net		7,463
Total Contributions, net	$	7,810

14. Department of Education Financial Responsibility (continued)

Net land, buildings and equipment, as reported on the accompanying statements of financial position, are disaggregated below:

Net land, buildings and equipment, pre-implementation	$	78,572
Net land, buildings and equipment, post-implementation with outstanding debt		20,454
Net land, buildings and equipment, post-implementation without outstanding debt		13,422
Construction-in-progress		316
Total net land, buildings and equipment	$	112,764

Indebtedness as reported on the accompanying statements of financial position is disaggregated below:

Indebtedness, pre-implementation	$	21,205
Indebtedness, post-implementation		8,681
Total indebtedness	$	29,886

For the purpose of calculating the total revenue without donor restrictions and gains without donor restrictions, the investment returns reported under both operating and non-operating activities on the accompanying statements of activities are aggregated.

OPERATING

Operating revenue without donor restrictions	$	126,178
Investment return designated for current operations		(21,337)
Net operating revenue without donor restrictions	$	104,841

NON-OPERATING

Investment income, net of expenses	$	2,130
Net assets released from restrictions		444
Net capital gain on investments		9,219
Unrestricted Non-Operating Income	$	11,793

Supplementary Information

FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE REQUIRED BY THE U.S. DEPARTMENT OF EDUCATION

For the year ended May 31, 2026 *(in thousands)*

Primary Reserve Ratio

Expendable Net Assets:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Statement of Financial Position	Net assets without donor restrictions	$	140,790
Statement of Financial Position	Net assets with donor restrictions		255,419
Footnote 14	Net assets with donor restrictions, restricted in perpetuity		(107,378)
Footnote 14	Annuities, term endowments and life income funds with donor restrictions		(11,113)
Footnote 14	Net land, buildings and equipment		(112,764)
Footnote 1	Right-of-use lease assets, post-implementation		(382)
Footnote 6	All debt obtained for long-term purposes, not to exceed total net land, buildings and equipment		29,886
Footnote 14	Unsecured related-party other receivable		(81)
Footnote 14	Unsecured related-party contribution receivable		(347)
Footnote 1	Right-of-use lease obligation, post-implementation		394
	Expendable net assets	**$**	**194,424**

Total expenses without donor restrictions and losses without donor restrictions:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Statement of Activities	Total operating expenses	$	124,149
Statement of Activities	Net capital loss on investments without donor restrictions		-
	Total expenses without donor restrictions and losses without donor restrictions	**$**	**124,149**

Equity Ratio

Modified net assets:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Statement of Financial Position	Net assets without donor restrictions	$	140,790
Statement of Financial Position	Net assets with donor restrictions		255,419
Footnote 14	Unsecured related-party receivables		(428)
	Modified net assets	**$**	**395,781**

Modified assets:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Statement of Financial Position	Total assets	$	444,880
Footnote 14	Unsecured related-party receivables		(428)
	Modified assets	**$**	**444,452**

FINANCIAL RESPONSIBILITY SUPPLEMENTARY SCHEDULE REQUIRED BY THE U.S. DEPARTMENT OF EDUCATION (continued)

For the year ended May 31, 2026 *(in thousands)*

Net Income Ratio

Change in net assets without donor restrictions:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Statement of Activities	Change in net assets without donor restrictions	$	(7,515)
	Change in net assets without donor restrictions	**$**	**(7,515)**

Total revenue without donor restrictions and gains without donor restrictions:			
Financial statement/ Footnote disclosure	**Line item description**		**Amount**
Footnote 14	Total operating revenue	$	104,841
Footnote 14	Non-operating – income/(loss)		11,793
	Total revenue without donor restrictions and gains without donor restrictions	**$**	**116,634**

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

Management and the Board of Trustees

We have audited, 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 (*Government Auditing Standards*), the financial statements of St. Mary's University, which comprise the statement of financial position as of May 31, 2026, and the related statement of activities and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated September 29, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

September 29, 2026