



CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED JUNE 30, 2026 AND 2025



LOYOLA
UNIVERSITY CHICAGO



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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Loyola University of Chicago
Chicago, IL

Opinion

We have audited the consolidated financial statements of Loyola University of Chicago ("LUC"), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of LUC as of June 30, 2026 and 2025, and the results of its operations 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). 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 LUC 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 from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 LUC'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 LUC'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.

Deloitte & Touche LLP

September 25, 2026

LOYOLA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30, 2026 and 2025

(In thousands of dollars)	2026	2025
ASSETS		
Cash and cash equivalents	\$ 54,520	\$ 66,913
Short-term investments	87,855	98,826
Notes and accounts receivable, net	86,167	56,207
Other assets	15,590	11,244
Endowment and other long-term investments	1,507,451	1,368,704
Right of use asset - operating leases	836	945
Assets held in trust by others	-	1,837
Interest held in perpetual trust	18,812	16,498
Land, buildings and equipment, net	1,065,220	1,038,285
TOTAL ASSETS	\$ 2,836,451	\$ 2,659,459
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 67,396	\$ 65,002
Deferred revenue	22,968	26,214
Unexpended grants	23,134	14,896
Refundable U.S. government student loan funds	4,434	5,325
Indebtedness	194,187	209,190
Lease liability - operating	882	993
Pension and other postretirement plan liabilities	19,446	24,635
Other liabilities	4,686	6,901
TOTAL LIABILITIES	337,133	353,156
NET ASSETS:		
Without donor restrictions	1,718,390	1,622,164
With donor restrictions	780,928	684,139
TOTAL NET ASSETS	2,499,318	2,306,303
TOTAL LIABILITIES AND NET ASSETS	\$ 2,836,451	\$ 2,659,459

See notes to the consolidated financial statements.

LOYOLA UNIVERSITY CHICAGO
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the years ended June 30, 2026 and 2025

	2026			2025		
	Without donor restrictions	With donor restrictions	Total 2026	Without donor restrictions	With donor restrictions	Total 2025
<i>(In thousands of dollars)</i>						
OPERATING REVENUES:						
Tuition and fees, net of scholarships \$339,880 (2026) and \$323,571 (2025)	\$ 446,960	\$	\$ 446,960	\$ 437,984	\$	\$ 437,984
Auxiliary services	84,672		84,672	84,954		84,954
Academic support	30,951		30,951	29,893		29,893
Other revenue	35,914		35,914	34,983		34,983
Grants and contracts for sponsored projects	58,805		58,805	61,267		61,267
Gifts - cash and financial assets	2,624		2,624	2,175		2,175
Gifts - nonfinancial assets	-		-	32		32
Return on short-term investments and interest income	6,156		6,156	8,403		8,403
Investment income designated for operations	20,187		20,187	18,833		18,833
Net assets utilized or released from restrictions for operations	25,527		25,527	24,851		24,851
Net assets released - board designated	15,727		15,727	13,668		13,668
TOTAL OPERATING REVENUES	727,523		727,523	717,043		717,043
OPERATING EXPENSES:						
Salaries and wages	347,692		347,692	338,454		338,454
Fringe benefits	96,633		96,633	89,544		89,544
Non-salary operating expenses	177,176		177,176	172,193		172,193
Depreciation and amortization	61,482		61,482	61,653		61,653
Insurance and utilities	22,368		22,368	23,813		23,813
Interest	7,402		7,402	7,935		7,935
TOTAL OPERATING EXPENSES	712,753		712,753	693,592		693,592
RESULTS OF OPERATIONS	14,770		14,770	23,451		23,451
NON-OPERATING INCOME (LOSS):						
Gifts - cash and financial assets	-	75,086	75,086	-	29,235	29,235
Gifts - nonfinancial assets	-		-	-	3,700	3,700
Investment return, net of amounts designated for operations	61,269	62,718	123,987	54,337	53,706	108,043
Net periodic pension and post retirement plan cost	(1,096)		(1,096)	(2,042)		(2,042)
Retirement plan related changes other than net periodic retirement plan cost	1,046		1,046	3,583		3,583
Remeasurement - land, building, and equipment	-		-	8,548		8,548
Grant funding for capital expenditures	19,950		19,950	871		871
Transfer of Cuneo Mansion and Gardens	(7,241)		(7,241)	-		-
Other	5,408	2,359	7,767	(3,091)	818	(2,273)
Net assets transferred or released from restrictions	17,847	(43,374)	(25,527)	9,003	(33,854)	(24,851)
Net assets released - board designated	(15,727)		(15,727)	(13,668)		(13,668)
TOTAL NON-OPERATING ACTIVITIES	81,456	96,789	178,245	57,541	53,605	111,146
CHANGE IN NET ASSETS	96,226	96,789	193,015	80,992	53,605	134,597
Total net assets, beginning of year	1,622,164	684,139	2,306,303	1,541,172	630,534	2,171,706
TOTAL NET ASSETS, END OF YEAR	\$ 1,718,390	\$ 780,928	\$ 2,499,318	\$ 1,622,164	\$ 684,139	\$ 2,306,303

See notes to the consolidated financial statements.

LOYOLA UNIVERSITY CHICAGO

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2026 and 2025

(In thousands of dollars)	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 193,015	\$ 134,597
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	61,482	61,653
Provision for bad debt expense	3,827	4,482
Retirement plan related changes	(1,046)	(3,583)
Provision for retirement costs	1,097	2,042
Net realized and unrealized gain on investments	(140,925)	(124,432)
Net realized and unrealized gain on interest held in perpetual trust	(2,814)	(1,589)
Contributions restricted for long-term investment	(27,304)	(20,921)
Grant funding restricted for capital expenditures	(19,950)	(871)
Remeasurement - land, building, and equipment	-	(8,548)
Insurance proceeds	(2,496)	-
Contingent reserve - indirect cost recovery	(2,191)	2,191
Transfer of Cuneo Mansion and Gardens	7,241	-
Gifts - nonfinancial assets	-	(3,700)
Other	475	(207)
Changes in assets and liabilities:		
Notes and accounts receivable, net	(34,474)	9,315
Other assets	(4,250)	(1,157)
Accounts payable and accrued expenses	1,071	3,855
Deferred revenue and unexpended grants	4,992	(702)
Interest held in perpetual trust	500	270
Refundable U.S. government student loan funds	(891)	(1,039)
Employer contributions to pension and retiree health plan	(5,238)	(5,249)
Other liabilities	(74)	(162)
NET CASH PROVIDED BY OPERATING ACTIVITIES	32,047	46,245
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	364,296	304,973
Purchases of investments	(361,344)	(292,777)
Changes of short-term investments, net	10,101	(24,857)
Expenditures for land, buildings and equipment	(92,161)	(51,098)
Insurance proceeds, net	1,661	-
Grant funding restricted for capital expenditures	19,950	871
Student loans issued	(678)	(754)
Student loans collected	1,365	1,592
NET CASH USED BY INVESTING ACTIVITIES	(56,810)	(62,050)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for long-term investment	27,304	20,921
Retirement of debt	(14,934)	(38,480)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	12,370	(17,559)
DECREASE IN CASH AND CASH EQUIVALENTS	(12,393)	(33,364)
Cash and cash equivalents, beginning of year	66,913	100,277
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 54,520	\$ 66,913

See notes to the consolidated financial statements.

LOYOLA UNIVERSITY CHICAGO

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the years ended June 30, 2026 and 2025

(1) Overview of Loyola University of Chicago

Loyola University of Chicago (referred to as Loyola University Chicago, the University, or LUC) is a private, coeducational, not-for-profit institution of higher education and research founded in 1870 by the Society of Jesus (Jesuits). LUC's patron saint and namesake is St. Ignatius Loyola (1491-1556), the founder of the Society of Jesus.

LUC is one of the largest Jesuit, Catholic universities in the United States providing educational services to approximately seventeen thousand students in undergraduate, graduate, and professional degree programs. LUC performs research, training, and other services under grants and contracts with government agencies and other sponsoring organizations. LUC is home to 13 schools and colleges, as well as various institutes and centers. LUC operates four campuses: Lake Shore, Water Tower, Health Sciences, and the Rome Center in Italy, as well as a Retreat and Ecology Campus in Woodstock, Illinois.

The accompanying consolidated financial statements include the accounts of Loyola University Chicago and Mundelein College (Mundelein). All intercompany transactions and balances are eliminated upon consolidation.

(2) Tax Status

LUC and Mundelein are Illinois not-for-profit corporations and are exempt from federal income taxes under section 501(c)(3) of the U.S. Internal Revenue Code.

(3) Summary of Significant Accounting Policies

a) Basis of Presentation

The consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). These principles require management to make estimates and judgments affecting the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates. The following notes may include reference to specific GAAP pronouncements including the Financial Accounting Standards Board's (FASB) Accounting Standards Updates (ASU) or Accounting Standards Codifications (ASC).

b) Cash and Cash Equivalents

Cash and cash equivalents are liquid instruments having original maturities at the time of purchase of three months or less, or funds investing primarily in such instruments, excluding those held in short-term and long-term investments. Cash and cash equivalents represent short-term, highly liquid investments that convert readily to cash and carry little interest rate risk.

c) Short-term Investments

Short-term investments are comprised of investments in securities or funds whose maturities and duration extend beyond the characteristics of cash and cash equivalents but are not considered long-term investments. Short-term investments are recorded at fair value and are generally priced and available on a daily basis. Investment income is recorded on the accrual basis and purchases and sales of short-term investment securities are recorded on a trade-date basis.

d) Notes and Accounts Receivable, net

LUC follows ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This guidance provides financial statement users with decision-useful information about current expected credit losses (CECL) on financial instruments, and other commitments to extend credit, held at each reporting date. In July 2025, the FASB issued ASU 2025-05 providing entities with 1) a practical expedient that assumes that conditions as of the balance sheet date do not change for the remaining life of the asset and 2) an accounting policy election to consider collection activity after the balance sheet date when estimating expected credit losses. LUC has applied the practical expedient beginning in fiscal year 2026. See Note 8, *Notes and Accounts Receivable, Net* for additional information.

e) Other Assets

Other assets are mostly comprised of prepaid expenses. This asset category also includes capitalized implementation costs related to certain cloud computing arrangements and the value of certain split-interest agreements for which LUC is aware of the existence of LUC's beneficial interest but is not the trustee.

LUC follows the FASB's Subtopic 350-40, *Intangibles—Goodwill and Other—Internal-Use Software*, which includes guidance regarding the accounting for implementation costs of a hosting arrangement that is a service contract. In September 2025, FASB issued ASU 2025-06, *Targeted Improvements to the Accounting for Internal-Use Software*. This ASU removes reference to prescriptive and sequential software development stages, and allows capitalization to begin once management has authorized and committed funding to the software project, it is probable that the project will be completed, and the software will be used to perform the intended function.

f) Long-term Investments

Long-term investments are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset, or the amount that would be paid to transfer a liability, in an orderly transaction between market participants at the measurement date.

Investments in publicly traded equity securities are valued based on quoted market prices. To the extent that quoted market prices are not readily available, fair value may be determined based on broker or dealer quotations or alternate pricing sources with reasonable levels of price transparency. Securities that trade infrequently may be valued as determined in good faith by LUC's investment managers.

The fair value of fixed income securities may be determined based on yields currently available on comparable securities of issuers with similar credit ratings, dealer-supplied prices or by discounting future principal and interest payments at prevailing interest rates.

The fair value of holdings of mutual funds, common collective trusts, and commingled funds are determined by reference to the funds' underlying assets, which are principally marketable equity and fixed income securities. Units held in registered mutual funds and in common collective trusts and commingled funds that do not have a readily determined market value for fund units are valued based on the funds' net asset value as supplied by the fund administrator or trustee. Estimates of fair value provided by general partners or investment managers are reviewed by management.

Investments in private investment funds are recorded at estimated fair value based on LUC's share of the funds' fair value or number of units outstanding. A private investment fund's fair value is typically based on estimated asset values as of valuation dates that precede the LUC fiscal year end by up to 180 days and are adjusted for cash flows that occur between the valuation date and year end. These funds allocate gains, losses, and expenses to partners based on their respective ownership percentages or the number of units held. Management reviews reports and financial statements and communicates regularly with fund managers to maintain oversight of their valuation processes and estimates.

Investment income is recorded on the accrual basis. Purchases and sales of long-term investment securities are recorded on a trade-date basis.

g) Derivative Financial Instruments

LUC may use derivative financial instruments in the management of its treasury and investment portfolio. In addition, investment managers engaged by LUC may use derivative instruments to implement their investment strategies. Investments in derivative financial instruments are not designated as hedges. All derivative financial instruments used for investment purposes are marked to market and recorded at fair value. Gains and losses realized on derivative financial instruments used for investment purposes are recorded in investment return, net of amounts designated for operations, in the consolidated statements of activities and changes in net assets.

h) Assets Held in Trust by Others

Escrow funds held by a third party on behalf of LUC were for the purpose of improvement and restoration costs for the Cuneo Mansion and Gardens in Vernon Hills, Illinois. The escrow was established under a preservation agreement between LUC and the Village of Vernon Hills and Lake County. In January 2026, Loyola transferred escrow funds of \$1.9 million to the Village of Vernon Hills. See Note 9, *Land, Buildings and Equipment, net*, for additional information.

i) Interest Held in Perpetual Trust

LUC is the beneficiary of funds held in trust. LUC does not control or have possession of these funds but receives income from the trust in support of LUC's Health Sciences programs. Funds are recognized at the estimated fair value of future cash flows, which is estimated to equal the fair value of the trust assets.

j) Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost or fair value at the date of purchase or gift to the University. This asset category also includes the capitalized value of library books and artwork. LUC capitalizes assets with a purchase price or fair value of \$5,000 or greater and with a useful life of over 1 year. LUC uses the component method of capitalization. Building demolition costs may be capitalized or expensed depending on the circumstances.

Depreciation expense is calculated on a straight-line basis using the following useful lives: building shell, 40-50 years; building improvements, 10-25 years; furniture, 7-20 years; and equipment, 3-10 years.

Management continually reviews its long-lived assets for evidence of potential impairment. No impairment adjustments were recorded during fiscal years 2026 or 2025.

k) Leases

The University recognizes rights and obligations arising from leases as assets and liabilities on the consolidated statements of financial position in accordance with ASU No. 2016-02, *Leases (Topic 842)*. LUC has elected the short-term lease exemption and therefore does not recognize a right-of-use asset or corresponding liability for lease arrangements with an original term of 12 months or less. Regarding the discount rate, LUC uses the rate implicit in the lease whenever that rate is readily determinable. In accordance with ASU 2021-09, *Discount Rate for Lessees That Are Not Public Business Entities*, LUC is permitted to use a risk-free discount rate for a lease instead of its incremental borrowing rate as an accounting policy election made by class of underlying asset. See Note 11, *Leases*, for further information regarding the University's lease-related disclosures.

l) Net Asset Classes

Net assets are classified based on the existence or absence of donor-imposed restrictions.

Net assets not subject to donor-imposed restrictions include those designated by the Board of Trustees such as funds functioning as endowment (quasi-endowments) and board-designated net assets.

Net assets that are subject to donor-imposed restrictions include those restricted for a particular use, expiring with the passage of time, or the occurrence of an event. When donor restrictions are met or the restrictions expire, net assets with donor restrictions are released and classified as net assets without donor restrictions. Net assets subject to donor-imposed restrictions may also require assets to be retained permanently and invested in perpetuity. These restrictions permit the use of some or all of the income earned on the invested assets for specific purposes.

m) Revenue Recognition

The University adheres to the following GAAP concerning revenue recognition:

ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606): The University recognizes revenue to depict the transfer of promised goods and services in an amount that reflects the consideration to which LUC expects to be entitled in exchange for those goods or services.

ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: The University follows this framework to determine whether a transaction should be accounted for as a contribution or as an exchange transaction. The guidance also helps LUC determine whether a contribution is conditional and guides the University on how to distinguish a donor-imposed condition from a donor-imposed restriction.

ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net): The University follows this guidance to assess whether it is a principal or an agent in a revenue transaction and whether it reports the revenue on a gross or net basis.

n) Gifts and Contributions

The University's statement of activities and changes in net assets includes the value of gifts and contributions from donors. Contributions of cash and financial assets are reported separately from contributed nonfinancial assets.

Contributions of cash and other financial assets

Gifts and contributions received without donor stipulations restricting their use are recognized in the period received and reported as operating revenue without donor restrictions.

Gifts and contributions received with donor stipulations restricting their use are reported as non-operating activities with donor restrictions.

Promises to give (pledges) that are reasonably assured to be collected are valued at present value and reported as non-operating activities with donor restrictions.

The expiration or fulfillment of donor-imposed restrictions on contributions is recognized in the period in which the restriction is fulfilled and generally reported as net assets released from restrictions for operations.

Contributions of nonfinancial assets (gifts in kind)

The University follows ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*.

For nonfinancial contributions which are readily consumed, the University recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

Should the University accept a contribution of a nonfinancial asset such as real estate, the University records the gift at fair value, generally based on an independent appraisal. The gift is classified as non-operating activities and the asset is recorded consistent with the University's policies for land, building, equipment, or other assets, as appropriate.

Contributed services

The University does not rely on contributed services (services that create or enhance nonfinancial assets or provide specialized skills that would need to be purchased if they were not donated) and therefore does not recognize any revenue or expense for contributed services.

o) Grants and Contracts for Sponsored Projects

Grant and contract revenue is recognized when the conditions upon which they depend are substantially met, which primarily is when qualifying expenses or activities occur. Grant and contract revenue includes indirect cost recovery based on negotiated contractual rates with the sponsoring organizations.

Grant funding for capital expenditures is classified as non-operating income in the consolidated statements of activities and changes in net assets.

p) Retirement Plans and Other Postretirement Benefits

LUC's retirement plans and other postretirement benefits are presented consistent with ASC 715, *Compensation – Retirement Benefits*. The guidance requires the service cost component of net periodic pension cost and net periodic postretirement benefit cost to be presented as a part of fringe benefits expense in the consolidated statements of activities. The other components of net periodic benefit cost such as interest cost, expected return on plan assets, net prior service cost or credit amortization, and net actuarial gain or loss amortization are reported under net periodic pension and postretirement plan cost in the non-operating activities section of the consolidated statements of activities and changes in net assets. See Note 13, *Retirement Plans*.

q) Results of Operations

As part of the consolidated statements of activities and changes in net assets, the University presents results of operations as an operating measure. This operating measure represents operating revenues in excess of operating expenses that are an integral part of LUC's academic programming and supporting activities. Net assets utilized or released from donor restrictions to support operating expenditures, releases of board-designated net assets to support current operating activities, and investment income designated for operations, are also included in determining this measure of operations.

The measure of operations excludes investment returns (other than those designated for operations), retirement plan related changes (other than the service cost associated with pension and postretirement benefit plans), gains or losses on the sale or disposal of property, and certain non-recurring items.

r) Related Party Transactions

The University follows ASC 850, *Related Party Disclosures*. The University maintains processes to identify related parties and related party transactions. Related parties include the University's trustees, officers, and key employees, any relative of such individuals, as well as any entity in which such individuals exceed a certain ownership or beneficial interest percent or hold board or executive appointments. The University's related party transactions include the following:

Arrupe House

The University committed to fund up to \$5.3 million of capital improvements for the Midwest Jesuit Province's Arrupe House Jesuit residence, located at the University's Lake Shore Campus. In exchange for this commitment, the University has a right of first refusal to acquire the property at a later date and at a price that reflects an adjustment for the improvements funded by LUC. As of June 30, 2026, the University's cumulative spending towards this commitment is \$5.1 million of which \$0.1 million was recorded in fiscal year 2026, \$1.9 million in fiscal year 2025, and \$3.1 million in fiscal years prior to 2025. These amounts are reported as non-operating expense in the consolidated statements of activities and changes in net assets. As the University completed the Arrupe House capital project in fiscal year 2026, no further spending by the University is anticipated. See Note 1, *Overview of Loyola University of Chicago*, for information related to the Jesuits.

Academic Support

Loyola Medicine is a regional, academic health system based in Chicago's western suburbs and a member of Trinity Health. Loyola Medicine includes Loyola University Health System (LUHS) and Loyola University Medical Center (LUMC). See Note 7, *Revenue from Contracts with Customers (Revenue Recognition) – Academic Support*, and Note 18, *Relationship with Trinity Health*, for information related to Loyola Medicine.

Employee benefit plans

See Note 13, *Retirement Plans*, and Note 14, *Other Post Retirement Benefits*, for information regarding University employee benefit plans considered related parties.

Pledge receivables from Trustees

Contributions receivable includes pledges from individuals who serve on the University's Board of Trustees, and related entities. See Note 8, *Notes and Accounts Receivable, Net – Contributions Receivable* for additional information.

During fiscal years 2026 and 2025, there were no other material related-party transactions.

s) Foreign Currency Accounting

The University's revenue, expense, and financing activities are generated primarily in US dollars. In accordance with FASB ASC 830, *Foreign Currency Matters*, the University's functional currency is the US dollar. Transactions denominated in foreign currency are recorded in US dollars using the exchange rate prevailing at the date of the transaction. Balances related to the University's Rome Center are remeasured to the US dollar. Monetary items are remeasured using a current exchange rate which results in the recognition of exchange gains or losses. Nonmonetary items, such as land, building, equipment, and artwork are valued at historical exchange rates.

On July 1, 2024, the University remeasured land, building and equipment of the Rome Center campus using historical euro / US dollar exchange rates. The remeasurement increased the net book value by \$8.5 million. The corresponding offset is included in the non-operating section of the fiscal year 2025 consolidated statement of activities and changes in net assets.

t) Reclassifications

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's presentation. The reclassification is primarily in the non-operating section of the fiscal year 2025 statement of activities and changes in net assets.

u) Recent Accounting Pronouncements

Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, *Income Tax (Topic 740): Improvements to Income Tax Disclosures*. The guidance requires disclosure of qualitative factors related to LUC's income tax expense as well as additional disclosures related to income tax payments. LUC will provide the additional disclosures

beginning in fiscal year 2027. See Note 2, *Tax Status* and Note 15, *Functional Classification of Expenses*, for additional information related to income tax.

(4) Investments

Under authority delegated by the Board of Trustees, the Investment Committee of the Board of Trustees establishes the investment policy and guidelines governing the management of LUC's investments. The strategy for long-term investments is predicated on the objectives of growth and preservation of the purchasing power of invested assets; therefore, it is equity-oriented and includes marketable equities, private equity investments, and real estate investments, with diversifying exposure to fixed income investments and hedging strategies. Short-term investments are primarily managed with an objective to ensure safety of principal and a high level of liquidity to meet the needs of LUC's operations. Substantially all investments are managed by external investment managers and all are held in custody by third-party financial institutions.

Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three categories:

Level 1 - Unadjusted quoted prices in active markets for identical instruments.

Level 2 - Quoted prices in active markets for similar instruments, quoted prices in inactive markets for identical or similar instruments, or model-derived valuations in which all significant inputs are directly or indirectly observable.

Level 3 - Model-derived valuations in which one or more significant inputs are unobservable.

Fair value of investments in certain commingled funds and private partnerships that utilize a net asset value (NAV) per share or that report capital account balances on an equivalent pro-rata basis is estimated, as a practical expedient, to equal the reported NAV for such shares or reported partner's capital balance, as applicable. These investments consist of funds holding primarily publicly traded equity and fixed income securities as well as private partnerships holding equity stakes in public and non-public companies where fund or partnership interests or shares/units are not publicly quoted or traded.

Short-term Investments

LUC had short-term investments of \$87.9 million and \$98.8 million at June 30, 2026 and 2025, respectively. Amounts held in short-term investments can vary from year to year depending on University operational, investment, and financing related activities.

The tables below summarize LUC's short-term investments by the fair value hierarchy levels as of June 30, 2026 and 2025:

(in thousands of dollars)

<u>2026</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 237	\$ 237	\$ -
Fixed income mutual funds	32,479	32,479	
U.S. Treasury and government agency debt securities	13,912		13,912
Non-US government debt securities	412		412
Municipal debt securities	178		178
Corporate debt securities	18,862		18,862
Mortgage-related securities	10,244		10,244
Asset-backed securities	11,150		11,150
Collateralized mortgage obligations	381		381
Total	<u>\$ 87,855</u>	<u>\$ 32,716</u>	<u>\$ 55,139</u>

(in thousands of dollars)

<u>2025</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Cash and cash equivalents	\$ 100	\$ 100	\$ -
Fixed income mutual funds	39,976	39,976	
U.S. Treasury and government agency debt securities	16,025		16,025
Non-US government debt securities	208		208
Municipal debt securities	320		320
Corporate debt securities	17,003		17,003
Mortgage-related securities	11,822		11,822
Asset-backed securities	12,818		12,818
Collateralized mortgage obligations	554		554
Total	<u>\$ 98,826</u>	<u>\$ 40,076</u>	<u>\$ 58,750</u>

Endowment and Other Long-term Investments

The table below presents the functional composition of LUC's endowment and other long-term investments at June 30, 2026 and 2025:

(in thousands of dollars)

	2026	2025
Donor restricted and board-designated endowed funds ⁽¹⁾	\$ 1,280,899	\$ 1,166,946
Institutional reserves	211,268	184,306
Split-interest agreements	12,194	11,464
Other invested assets	3,090	5,988
Total endowment and other long-term investments	<u>\$ 1,507,451</u>	<u>\$ 1,368,704</u>

⁽¹⁾ See Note 5, *Endowment*, for additional information.

The tables below summarize the endowment and other long-term investments by fair value hierarchy level and NAV (or its equivalent) as a practical expedient, as of June 30, 2026 and 2025:

(in thousands of dollars)

2026	Total	Level 1	Level 2	Level 3	NAV
Cash and cash equivalents ⁽¹⁾	\$ 20,194	\$ 20,194	\$ -	\$ -	\$ -
U.S. marketable equity securities	109,575	109,575			
U.S. marketable equity mutual funds	6,165	6,165			
Non-U.S. marketable equity securities	5,700	5,700			
Non-U.S. marketable equity mutual funds	2,756	2,756			
Marketable equity commingled funds	792,095				792,095
Other equity securities	74			74	
Fixed income mutual funds	3,636	3,636			
Fixed income commingled funds	102,681				102,681
U.S. Treasury and government agency debt obligations	76,839		76,839		
Corporate bonds	53,780		53,780		
Private equity investments	300,471				300,471
Real assets mutual funds	108	108			
Private real assets investments	33,377				33,377
Total	<u>\$ 1,507,451</u>	<u>\$ 148,134</u>	<u>\$ 130,619</u>	<u>\$ 74</u>	<u>\$ 1,228,624</u>

⁽¹⁾ Amounts are net of pending trade settlements.

(in thousands of dollars)

<u>2025</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Cash and cash equivalents ⁽¹⁾	\$ 41,839	\$ 41,839	\$ -	\$ -	\$ -
U.S. marketable equity securities	99,231	99,231			
U.S. marketable equity mutual funds	6,408	6,408			
Non-U.S. marketable equity securities	6,416	6,416			
Non-U.S. marketable equity mutual funds	1,731	1,731			
Marketable equity commingled funds	704,844				704,844
Other equity securities	74			74	
Fixed income mutual funds	3,402	3,402			
Fixed income commingled funds	49,245				49,245
U.S. Treasury and government agency debt obligations	120,899		120,899		
Corporate bonds	51,257		51,257		
Private equity investments	247,999				247,999
Real assets mutual funds	102	102			
Private real assets investments	35,257				35,257
Total	<u>\$ 1,368,704</u>	<u>\$ 159,129</u>	<u>\$ 172,156</u>	<u>\$ 74</u>	<u>\$ 1,037,345</u>

⁽¹⁾ Amounts are net of pending trade settlements.

For the years ended June 30, 2026 and 2025, there were no significant transfers between fair value hierarchy levels and there were no changes in the fair value of the Level 3 investments in endowment and other long-term investments.

LUC is obligated to make future capital contributions in private investment vehicles in the maximum amount of \$198.5 million over the next several years, subject to investment period modifications provided for in fund offering documents or limited partnership agreements.

Fair value estimates, commitment and redemption information for investment funds valued at NAV (or its equivalent) as a practical expedient at June 30, 2026 are as follows:

(in thousands of dollars)

<u>Investment Type</u>	<u>2026 Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Other Redemption Restrictions</u>
Marketable equity commingled funds ⁽¹⁾	\$ 792,095	\$ -	Daily to annually	Daily to ninety days	Various initial lockup periods, potential redemption fees, and limits on redeemable proportion of outstanding balances
Fixed income commingled funds ⁽²⁾	102,681		Monthly to quarterly	Sixty to ninety days	Various initial lockup periods, potential redemption fees, and limits on redeemable proportion of outstanding balances
Private equity Investments ⁽³⁾	300,471	187,827	Directed by investment managers	n/a	None
Private real assets investments ⁽³⁾	33,377	10,698	Directed by investment managers	n/a	None
Total	<u>\$ 1,228,624</u>	<u>\$ 198,525</u>			

(1) The marketable equity commingled funds category is comprised of investments in private funds primarily holding publicly traded U.S. and non-U.S. equity securities, including multi-strategy and long-short equity funds that can vary their net exposures across global markets.

(2) The fixed income commingled funds category is comprised of private funds that invest primarily in global bonds and corporate debt securities, including structured products.

(3) Private equity investments and private real assets investments are comprised of closed-end fund investments primarily holding controlling equity stakes in private firms and real estate assets, respectively.

Derivative Financial Instruments

Derivative financial instruments may be used in the management of the LUC investment portfolio. This is generally done to assist in rebalancing its asset mix. As of June 30, 2026 and June 30, 2025, the investment portfolio held no futures contracts. Futures contracts are exchange-traded and subject to the market risk of the underlying indexes from which their prices are derived.

Split-Interest Agreements

Split-interest agreements consist of arrangements with donors in which LUC shares an interest in the assets held and the benefits received with other beneficiaries.

The assets held under split-interest agreements (charitable trusts for which LUC is the trustee and assets held in respect to gift annuity contracts) were \$12.2 million and \$11.5 million at June 30, 2026 and 2025, respectively, and are reported at fair value in endowment and other long-term investments in the consolidated statements of financial position. The discounted present value of any income beneficiary interest was \$4.4 million and \$5.2 million, respectively, at June 30, 2026 and 2025 and is included in accounts payable and other accrued expenses in the consolidated statements of financial position. The discount rate used is 5.5% in fiscal years 2026 and 2025.

As of June 30, 2026 and 2025, the amounts related to split-interest agreements in the consolidated statements of activities and changes in net assets are as follows:

(in thousands of dollars)

Description	Non-Operating: With Donor Restrictions	2026	2025
Gifts subject to split interest agreements, net of beneficiary share	Gifts	\$ -	\$ 41
Actuarial gains (losses) on split-interest agreements	Other	\$ 10	\$ (544)

Investment Returns

Investment returns, net of investment and management fees, for short-term and long-term investments, for the years ended June 30, 2026 and 2025 are as follows:

(in thousands of dollars)

	2026	2025
Interest and dividend income, net of fees	\$ 9,405	\$ 10,847
Net realized gains	68,572	37,906
Net unrealized gains	72,353	86,526
Total net return on investment	\$ 150,330	\$ 135,279

Returns earned on short-term investments and operating cash are classified as operating revenues. Returns on long-term investments are classified as non-operating activities. Expenditures of accumulated investment return earned on board-designated funds functioning as endowment funds are classified as operating revenues - investment income designated for operations with an offset to non-operating investment returns, within net assets without donor restrictions.

The table below reconciles total net return on investment with the amounts presented in the consolidated statements of activities and changes in net assets:

(in thousands of dollars)

	2026	2025
Changes in net assets without donor restrictions		
Return on short-term investments and interest income	\$ 6,156	\$ 8,403
Investment income designated for operations	20,187	18,833
Non-operating investment return	81,456	73,170
Less: Amounts designated for operations	(20,187)	(18,833)
Non-operating investment return, net of amounts designated for operations	61,269	54,337
Changes in net assets with donor restrictions		
Non-operating investment return, net of amounts designated for operations	62,718	53,706
Total net return on investments	<u>\$ 150,330</u>	<u>\$ 135,279</u>

(5) Endowment

LUC's endowment consists of hundreds of individual funds established for a variety of purposes supporting LUC operations. The endowment includes donor-restricted and board-designated endowed funds. Donor restricted endowment fund balances are classified and reported as net assets in accordance with donor specifications and GAAP. While funds functioning as endowment (quasi-endowments) are not subject to donor restrictions, approval by the Board of Trustees is required to spend from or otherwise alter the designated principal of these funds.

Illinois Uniform Prudent Management of Institutional Funds Act

The LUC Board of Trustees has reviewed the Illinois Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) and, having considered its rights and obligations thereunder, has determined that it is desirable for LUC to preserve, on a long-term basis, the original value of a contribution of a donor-restricted endowment fund as of the gift date, subject to any express language in the applicable endowment agreement indicating otherwise and pursuant to UPMIFA. Notwithstanding the foregoing, this determination is not intended to, and shall not, affect LUC's authority under UPMIFA to spend any amounts from an endowment fund on a short-term basis even if the market value of the endowment fund is below the original value of the contributions by the donor. As a result of this determination, LUC classifies as net assets with donor restrictions (a) the original value of gifts contributed to a donor-restricted endowment fund, and (b) the original value of subsequent gifts to a donor-restricted endowment fund.

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

- The purposes of LUC and of the donor-restricted endowment fund;
- The duration and preservation of the fund;
- General economic conditions;
- The possible effects of inflation and deflation;
- The investment policies of LUC;
- The expected total return from income and the appreciation of investments;
- Other LUC resources

Endowment investment objectives

The primary objective of the endowment investment policy is to provide a stable source of funding for LUC programs, financial aid, and faculty support that will maintain and expand the purchasing power of endowment payout over a long-term time horizon.

Target allocations, and acceptable ranges of deviation from them, are established in order to achieve a diversified investment portfolio that can adapt to changing market environments and investment opportunities. The endowment portfolio is also managed to ensure that, within the constraints of its asset allocation targets, sufficient liquidity is maintained to fund ongoing spending draws and the periodic funding requirements of its various investments.

The following table summarizes the asset allocation targets as of June 30, 2026 for the endowment and long-term investment portfolio:

Target Asset Class	Allocation
Global equity	45%
Private capital	20%
Opportunistic investments	5%
Marketable alternatives	20%
Fixed income	10%
Total	100%

Endowment spending

LUC uses a total return-linked spending policy designed to preserve the value of the endowment fund in real terms (i.e., after inflation) and to generate a predictable stream of income to support spending. Endowment spending can consist of interest, dividends or accumulated capital gains, and the proportion of each varies from year to year.

Current endowment spending policy establishes a maximum budgeted spending rate in any given year of 5% of an endowed fund's net assets. Proposals for endowed funds to apply a spending rate in excess of 5% must be approved as part of the annual budget approval process. Absent donor stipulations to the contrary, annual appropriations from an endowed fund are determined by application of an annually determined base budget calculation as of a measurement date preceding the beginning of the fiscal year in which the appropriated amounts are to be drawn.

Underwater endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the University has determined is required to be maintained as a fund of perpetual duration. Deficiencies of this nature, referred to as underwater endowments, are reported in net assets with donor restrictions. In the event an endowment falls underwater, current management practice is to allow spending so long as the fair value is at least 95% of the contributed gift value. A balance between 90 to 95% of gift value will allow for reduced spending, and at a fair value of 90% or below gift value, spending is not allowed until the fair value recovers above 90%.

At June 30, 2026 and 2025, the amount by which funds were underwater was calculated as follows:

(in thousands of dollars)

	2026	2025
Aggregate fair value	\$ 123	\$ 112
Aggregate original value	129	129
Aggregate deficiency	\$ (6)	\$ (17)

Endowment Net Assets

As of June 30, 2026 and 2025, endowment net assets consist primarily of investments held in the University's long-term investment portfolio, as follows:

(in thousands of dollars)

	2026	2025
Donor restricted and board-designated endowed funds in the long-term investment portfolio	\$ 1,280,899	\$ 1,166,946
Other balances, net ⁽¹⁾	2,695	878
Endowment net assets	<u>\$ 1,283,594</u>	<u>\$ 1,167,824</u>

⁽¹⁾ Other balances arise primarily as a result of timing of funds transfers between the endowment and other University accounts.

Endowment net assets as of June 30, 2026 and 2025 are classified as follows:

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
<u>2026</u>			
Donor-restricted endowment funds	\$ -	\$ 641,216	\$ 641,216
Underwater endowments		(6)	(6)
Board-designated funds functioning as endowments	628,163	14,221	642,384
Total endowment net assets	<u>\$ 628,163</u>	<u>\$ 655,431</u>	<u>\$ 1,283,594</u>
<u>2025</u>			
Donor-restricted endowment funds	\$ -	\$ 567,628	\$ 567,628
Underwater endowments		(17)	(17)
Board-designated funds functioning as endowments	585,166	15,047	600,213
Total endowment net assets	<u>\$ 585,166</u>	<u>\$ 582,658</u>	<u>\$ 1,167,824</u>

On occasion, the board may designate certain current-use gifts as an endowment. These gifts are presented in the tables above as board-designated funds functioning as endowments with donor restrictions. As spending occurs on these gifts, the donor-restricted portion of the gift is transferred to board-designated funds functioning as endowments without donor restrictions. The nature of the spending of these gifts, and the accumulated earnings thereon, remains consistent with the donors' intent.

The following table provides a summary of the changes in the endowment net assets for the year ended June 30, 2026:

(in thousands of dollars)

<u>2026</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 585,166	\$ 582,658	\$ 1,167,824
Contributions and other additions			
Contributions (excluding pledges)	-	27,304	27,304
Transfers		4,080	4,080
Board-designated funds functioning as endowment	1,789	(727)	1,062
Total contributions and other additions	1,789	30,657	32,446
Total investment return, net	61,395	60,200	121,595
Income distributed for operating purposes			
Scholarships	(4,037)	(8,737)	(12,774)
Program	(10,551)	(4,163)	(14,714)
Faculty	(3,544)	(3,556)	(7,100)
Research	(1,823)	(1,202)	(3,025)
Other	(232)	(426)	(658)
Total income distributed for operating purposes	(20,187)	(18,084)	(38,271)
Endowment net assets, end of year	\$ 628,163	\$ 655,431	\$ 1,283,594

The following table provides a summary of the changes in the endowment net assets for the year ended June 30, 2025:

(in thousands of dollars)

<u>2025</u>	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 527,940	\$ 526,768	\$ 1,054,708
Contributions and other additions			
Contributions (excluding pledges)	-	20,921	20,921
Transfers		387	387
Board-designated funds functioning as endowment	21,591	(579)	21,012
Total contributions and other additions	21,591	20,729	42,320
Total investment return, net	54,468	52,203	106,671
Income distributed for operating purposes			
Scholarships	(4,053)	(7,941)	(11,994)
Program	(9,141)	(4,257)	(13,398)
Faculty	(3,636)	(3,771)	(7,407)
Research	(1,717)	(1,060)	(2,777)
Other	(286)	(13)	(299)
Total income distributed for operating purposes	(18,833)	(17,042)	(35,875)
Endowment net assets, end of year	\$ 585,166	\$ 582,658	\$ 1,167,824

(6) Interest Held in Perpetual Trust

LUC's interest held in perpetual trust is classified as Level 3 in the fair-value hierarchy. The table below summarizes the changes in LUC's fair value measurements for the interest held in perpetual trust as of June 30, 2026 and 2025:

(in thousands of dollars)

	2026	2025
Beginning of year	\$ 16,498	\$ 15,179
Realized gain, net	1,015	439
Unrealized gain	1,799	1,150
Distributions	(500)	(270)
End of year	<u>\$ 18,812</u>	<u>\$ 16,498</u>

(7) Revenue from Contracts with Customers (Revenue Recognition)

Disaggregation of Revenue

As presented in the consolidated statements of activities and changes in net assets, the University has various sources of operating revenue described below:

Tuition and fees, net of scholarships

LUC's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate, and professional degree granting programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees and course/laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

Tuition scholarships awarded by LUC represent a reduction of the tuition transaction price. LUC awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year and are applied to the students' account during each academic term.

Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting bodies. Academic terms have start and end dates which vary by program. Depending on the start and end date, some academic terms may extend into the University's next fiscal year.

The University bills tuition and fees in advance of each academic term and recognizes the tuition and fees revenue on a straight-line basis, as the educational services are performed, over the academic term or program. Students are typically entitled to a partial refund up to a given date in the academic term. Once a student reaches the point in the academic term where no refund is given, generally no refunds are due if the student withdraws subsequent to that date.

Students pay tuition and fees (net of scholarships) through a variety of funding sources, including federal loan and grant programs, state grant programs, employer reimbursements, Veterans' Administration and other military funding and grants, private and institutional scholarships, borrowings, and savings.

Auxiliary services

Auxiliary services revenue consists primarily of fees for room and dining services (board) during the student's education. The University considers that room fees and dining services are each separate performance obligations.

Room fees are charged at different rates depending on the residence hall and room accommodations. Room fees are billed in advance of each academic term and recognized as revenue on a straight-line basis over the period housing is provided. While the University believes the residential experience is an integral part of a student's education and the Loyola experience, the University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first and second-year students are expected to live on campus, exemptions are possible, primarily for students living with family or married students.

Dining service fees are charged at different rates depending on the level of access to dining services during the term of the agreement. Dining services are billed in advance of each academic term and are recognized as revenue ratably over the period during which the dining services are offered.

Some scholarships and stipends may be applied against room and board and therefore represent a reduction of the transaction price. Such awards are generally granted for the academic year and are applied to the student's account during each academic term. Room and board scholarships and stipends of \$6.1 million and \$5.5 million were included as a reduction in auxiliary services revenue in fiscal years 2026 and 2025, respectively.

In addition to room and board, auxiliary services include revenue earned for various conference services offered by the University. Revenue from conference services is recognized once the performance obligations are complete.

Academic support

Revenue in this category pertains to the Academic Affiliation Agreement with Loyola University Health System (LUHS) and Loyola University Medical Center (LUMC). The University's education and research mission and programs, including the University's Stritch School of Medicine, Marcella Niehoff School of Nursing, the Parkinson School of Health Sciences and Public Health, and other health science and research programs, represent an integral part of and support the delivery of health care and related clinical services operated by LUHS and LUMC. The academic support amount of \$22.5 million established in 2011 is adjusted annually based on the consumer price index. The University collects the payment monthly.

In fiscal years 2026 and 2025, LUC reported academic support of \$30.9 million and \$29.9 million, respectively, in the consolidated statements of activities and changes in net assets. The academic support payments were fully collected as of June 30, 2026 and 2025, respectively.

LUHS and LUMC are owned and operated by Trinity Health. See Note 18, *Relationship with Trinity Health*, for additional information.

Other operating revenue

This category consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University, revenue from seminars and workshops, athletic-related ticket sales and sponsorships, health and fitness center membership fees, and royalties. Revenue from these activities is generally recognized as services are performed.

Contract Assets and Deferred Revenue

Tuition, Fees, Room and Board

The University bills for tuition, fees, room and board in advance of the academic term. The student receivable is recognized only once the University has an unconditional right to receive payment because the programs have reached the point at which the amount billed is no longer refundable to the student. A liability for deferred revenue is recognized for the portion of tuition, fees, room and board for which the University has not completed the performance obligations.

Due to the start and end dates for programs which may extend into the University's next fiscal year, the University recognizes a contract asset and corresponding revenue for tuition, fees, room, and board services which have been delivered as of June 30th, but for which the University does not yet have the unconditional right to receive payment as the students have not reached the point in the academic term at which the amount billed is no longer refundable to the student. As of the end of each fiscal year, the University determines a contract asset or deferred revenue balance for those programs which overlap the University's fiscal year end and are not yet unconditional or earned. Contract asset and deferred revenue balances which exist at the end of a fiscal year will generally become a student receivable or revenue, respectively, within the following fiscal year.

The University receives deposits from prospective students expected to enroll in academic terms which begin in a subsequent fiscal year. Such deposits are included in deferred revenue at the end of fiscal year preceding the start of the academic term for which the deposit is received.

Other

The University's other activities and agreements may have contractual terms which result in deferred revenue. For example, deposits received prior to the end of the fiscal year for which an event has not yet occurred are included in deferred revenue at the end of each fiscal year.

The deferred revenue balances as of June 30, 2026 and 2025, are presented below:

(in thousands of dollars)	Contracts Performed Within One Year		Contracts Greater than One Year	
	Tuition, fees, room, and board	Other	Other	Total
Deferred revenue as of June 30, 2026	\$ 17,852	\$ 3,097	\$ 2,019	\$ 22,968
Deferred revenue as of June 30, 2025	\$ 20,027	\$ 3,267	\$ 2,920	\$ 26,214

The deferred revenue related to contracts greater than one year will primarily be recognized on a straight-line basis over the remaining term of a contract which continues through fiscal year 2030.

Significant Judgments

Significant judgment is required in determining the appropriate approach to applying the revenue recognition criteria. While ASC Topic 606 is generally applied to an individual contract with a customer, as a practical expedient, LUC applies this guidance to a portfolio of contracts (or performance obligations) with similar characteristics. LUC reasonably expects that the effects of applying this guidance to the portfolio would not differ materially from applying the guidance to the individual contracts (or performance obligations) within the portfolio.

For tuition and fees, room, and dining services, the University has determined that contracts for these services can be grouped into a portfolio, specific to each of these three performance obligations. Based on the University's experience, students at different campuses or in different programs have similar characteristics concerning the University's approach to revenue recognition. Agreements concerning enrollment, student financial responsibility, housing, and dining plans each contain terms, which clarify the performance obligations and eligibility for refunds or fee adjustments. These agreements are fundamentally the same regardless of the program of study.

For contracts with customers not pertaining to tuition and fees, room, and board, the University generally applies the revenue recognition guidance on an individual contract basis.

Significant judgment is also required to assess collectability. For the majority of tuition and fees, the University receives cash receipts for tuition payments from various federal and state of Illinois government agencies.

Students are required to provide documentation to the Department of Education to be eligible and approved for funding. The University monitors the progress of students through the eligibility and approval process for these financial aid programs. These cash receipts represent a substantial portion of overall billings. For the remainder of tuition and fees, room, and board, the University monitors for situations which would require a reassessment of collectability. See Note 8, *Notes and Accounts Receivable, Net*, for additional information concerning student and other receivables and related credit loss allowances.

Given the nature of the University's contracts with customers, there are no incremental costs of obtaining a contract and no significant financing components. During the fiscal year, there were no significant changes in the judgements affecting the determination of the amount and timing of revenue from contracts with customers.

(8) Notes and Accounts Receivable, Net

Notes and accounts receivable, net, at June 30, 2026 and 2025 consist of the following:

(in thousands of dollars)	June 30, 2026		June 30, 2025	
	Notes and Accounts Receivable	Allowance	Notes and Accounts Receivable, net	Notes and Accounts Receivable, net
Student receivables	\$ 10,366	\$ (4,122)	\$ 6,244	\$ 6,029
Student loan notes				
Federal government programs	3,763	(278)	3,485	4,190
Institutional/other programs	1,492	(666)	826	1,157
Contributions receivable	58,539	(711)	57,828	27,403
Grants receivable	9,754	-	9,754	11,691
Other receivables	8,067	(37)	8,030	5,737
Total	<u>\$ 91,981</u>	<u>\$ (5,814)</u>	<u>\$ 86,167</u>	<u>\$ 56,207</u>

Student receivables

These balances represent amounts billed to students related to their academic experience at LUC, and for which the University has an unconditional right to receive payment because the programs have reached the point at which the amount billed is no longer refundable to the student.

The allowance for credit losses at June 30, 2026 was established based on historical credit loss experience and reflects the assumption that conditions as of the balance sheet dates were consistent with conditions that existed during the period that historical data were collected. The following table summarizes the change in the allowance during fiscal years 2026 and 2025:

(in thousands of dollars)	Balance, Beginning of Period	Allowance Increase	Amounts Written-off	Balance, End of Period
Allowance for credit losses - Student receivables				
For the year ended June 30, 2026	\$ (3,820)	\$ (3,649)	\$ 3,347	\$ (4,122)
For the year ended June 30, 2025	\$ (2,566)	\$ (4,319)	\$ 3,065	\$ (3,820)

Student loan notes

Student loan notes consist of uncollateralized loans to students based on financial need. Student loan notes are primarily funded through federal government loan programs and to a lesser extent by institutional or other programs. At June 30, 2026 and 2025, student loan notes represented less than 1% of total assets.

The student loan notes funded through the federal government consist primarily of loan notes related to the federal Perkins revolving loan program, which provided low-interest loans to students with financial need. This federal program expired on September 30, 2017, with final loan disbursements allowed through June 30, 2018. Although no new Perkins loans are permitted, recipients of the Perkins loans have an obligation to repay the University, which in turn pays the federal government. LUC participates in other government revolving loan programs that function in a similar manner. The availability of funds for loans under federal programs other than Perkins is dependent on reimbursements to the pool from repayments on outstanding loans.

The liability for refundable U.S. government student loan funds in the consolidated statements of financial position was \$4.4 million and \$5.3 million at June 30, 2026 and 2025, respectively.

Student loan notes funded institutionally or by other programs, net of the allowance for credit losses, were \$0.8 million and \$1.2 million at June 30, 2026 and 2025, respectively. The allowance for credit losses is established based on historical credit loss experience and reflects the assumption that conditions as of the balance sheet dates were consistent with conditions that existed during the period that historical data were collected. The following table summarizes the change in the student loan notes allowance for credit losses:

(in thousands of dollars)	Balance, Beginning of Period	Allowance Increase	Amounts Written-off	Balance, End of Period
Allowance for credit losses - Student loan notes				
For the year ended June 30, 2026	\$ (1,071)	\$ (214)	\$ 341	\$ (944)
For the year ended June 30, 2025	\$ (1,065)	\$ (164)	\$ 158	\$ (1,071)

Contributions receivable

Contributions receivable represent unconditional promises to give from donors, collectible in future years. Contributions receivable are recorded after discounting expected future cash flows to their present value. The discount is computed using an estimated market interest rate that approximates the expected return of an intermediate term bond portfolio for a similar time horizon. Significant fluctuation in the discount rates utilized in this calculation could result in a material change to the recorded amount. The weighted average discount rate was 5.0% and 4.5% at June 30, 2026 and June 30, 2025, respectively. An allowance for uncollectible contributions is established based upon management's judgment of the collectability of outstanding pledges.

In fiscal year 2026, the University recorded a \$50 million pledge, payment of which is expected to be received in five equal annual installments beginning in fiscal year 2027.

During fiscal year 2022, the University received a pledge of \$40 million from a Trustee as part of a comprehensive capital campaign. The University collected \$10 million towards this pledge in each of the fiscal years 2023 through 2026. Total contributions receivable, net, from University Trustees were \$2.6 million at June 30, 2026 and \$14.0 million at June 30, 2025.

Contributions receivable at June 30, 2026 and 2025 are due in the following periods:

(in thousands of dollars)

	2026	2025
In one year or less	\$ 14,966	\$ 17,388
Between one year and five years	48,855	9,361
More than five years	4,037	4,927
Present value discount	(9,319)	(3,339)
Total	58,539	28,337
Allowance for uncollectible contributions	(711)	(934)
Total contributions receivable, net	\$ 57,828	\$ 27,403

Grants receivable

Grants receivable consists of amounts from federal and local government agencies and private entities related to sponsored programs. Substantially all of the balance of \$9.8 million as of June 30, 2026 is expected to be collected within the next fiscal year.

Other receivables

Other receivables primarily consist of amounts expected to be collected from third parties related to the University's operations and programs. The University regularly assesses collectability and writes off receivable balances when they are deemed uncollectible. Of the \$8.0 million net receivable as of June 30, 2026, LUC expects to collect \$5.8 million within the next fiscal year.

(9) Land, Buildings and Equipment, Net

Components of land, buildings, and equipment are as follows:

(in thousands of dollars)

	June 30, 2026	June 30, 2025
Land and land improvements	\$ 261,460	\$ 259,052
Buildings	1,618,260	1,588,785
Equipment	185,251	179,157
Library books and art	18,217	19,490
Construction in progress	71,693	37,353
Total cost	2,154,881	2,083,837
Accumulated depreciation	(1,089,661)	(1,045,552)
Land, buildings, and equipment, net	\$ 1,065,220	\$ 1,038,285

The University's cost of capital assets increased \$71.0 million during fiscal year 2026. The increase includes \$94.3 million of new capital spending. In September 2025 the University's Board of Trustees approved an investment not to exceed \$250 million for the construction of a new nursing and science building at the Lake Shore Campus. The project referred to as 1144 West Loyola consists of a seven-story, 195,000-square-foot education facility which will bring together programs from the Marcella Niehoff School of Nursing and the College of Arts and Sciences in one modern, interactive space. The nearly block-long facility is slated for completion in the fall of calendar year 2028 (fiscal year 2029).

A portion of the increase in capital assets is grant-funded. Grant funding for capital expenditures is classified as non-operating income in the consolidated statements of activities and changes in net assets. During fiscal years 2026 and 2025, the University received grant funds restricted for capital expenditure of approximately \$20.0 million and \$0.9 million, respectively. These grant funds are primarily designated to support the 1144 West Loyola project, and primarily relate to a grant from the State of Illinois' Board of Higher Education (IBHE). As of June 30, 2026, approximately \$17 million remains available to the University from the IBHE grant.

Asset disposals at original cost of \$23.3 million, less accumulated depreciation of \$17.4 million, occurred during fiscal year 2026. In January 2026, the University transferred the Cuneo Mansion and Gardens to the Village of Vernon Hills pursuant to the terms of a 2015 Preservation Agreement. As a result of this property transfer, the University disposed of \$5.4 million of net book value, primarily land and buildings, with a corresponding offset to non-operating expense.

Liabilities of \$9.8 million and \$7.7 million related to capital projects and purchases of equipment are included in accounts payable and accrued expenses in the consolidated statements of financial position as of June 30, 2026 and 2025, respectively.

At June 30, 2026, LUC had capital-related commitments of \$128.5 million, primarily for the 1144 West Loyola capital project.

Asset retirement obligations

The University has certain asset retirement costs and related asset retirement obligations recorded in the consolidated statements of financial position. At June 30, 2026 and 2025, capitalized asset retirement costs within net land, buildings, and equipment were \$0.1 million. Conditional asset retirement obligations included in other liabilities were \$2.8 million at June 30, 2026 and 2025.

(10) Indebtedness

Notes, term loans and bonds payable at June 30, 2026 and 2025 are shown below:

(in thousands of dollars)	Final Maturity (Fiscal Year)	Interest Rate	2026	2025
Fixed rate:				
Series 2012A taxable bonds	2043	4.63%	\$ 100,000	\$ 100,000
2020 term loan	2035	2.79%	64,040	64,040
2021 term loan	2036	2.16%	27,415	41,350
Rome Center mortgage note ⁽¹⁾	2029	1.51%	3,004	4,104
Total fixed rate principal debt ⁽²⁾		3.63%	194,459	209,494
Unamortized debt issuance costs			(272)	(304)
Total indebtedness			\$ 194,187	\$ 209,190

⁽¹⁾ Principal amount outstanding is subject to currency (euro) fluctuations

⁽²⁾ Interest rate represents the weighted average interest rate on all outstanding debt as of June 30, 2026. As of June 30, 2025, the weighted average interest rate was 3.52%.

LUC has two bank credit facilities for a total of \$50 million from which LUC may borrow on a revolving basis. One credit facility for \$25 million expires in March 2027 and the other facility for \$25 million expires in January 2029. Borrowings under these facilities bear interest based on the Secured Overnight Financing Rate (SOFR) or other negotiated rates. As of June 30, 2026 and 2025, and for the fiscal years then ended, no balances were outstanding nor was any interest paid on either of these credit facilities.

LUC did not record any capitalized interest at June 30, 2026 and 2025, respectively. Bond discounts, premiums, and costs incurred in connection with the issuance of bonds are deferred and amortized over the life of the related indebtedness.

In fiscal years 2026 and 2025, LUC made debt principal payments of \$14.9 million and \$38.5 million, respectively. Interest paid during the years ended June 30, 2026 and 2025 was \$7.4 million and \$9.6 million, respectively.

Debt Covenants

Certain debt agreements require the maintenance of financial ratios or impose other restrictions. Management believes LUC is in compliance with financial debt covenants as of June 30, 2026.

Debt Maturities

As of June 30, 2026, total scheduled maturities for the next five fiscal years are as follows:

(in thousands of dollars)

Fiscal Year	
2027	\$ 986
2028	16,146
2029	16,431
2030	15,690
2031	15,970
Thereafter	129,236
	<u>\$ 194,459</u>

(11) Leases

The University has contractual arrangements where it is a lessee. Separately, the University has contractual agreements where the University is a lessor. A lessee is generally defined as the entity paying for the use of specific property from a lessor. A lessor is defined as an entity that provides the right to use an asset for a period of time in exchange for consideration.

Lessee Disclosures

As a lessee, LUC analyzes each lease agreement to determine whether it should be classified as an operating or finance lease. In addition, LUC evaluates contracts that involve the use of an identified asset (such as property, plant, or equipment) to determine if the contract contains a lease. As of June 30, 2026, LUC has no financing leases. For operating leases, the University recognizes in the consolidated statement of financial position a right-of-use asset and a corresponding lease liability, initially measured at the present value of the lease payments. Payments made on the lease liability, as well as the amortization of the right-of-use asset are recognized as rent expense over the term of the lease on a straight-line basis in the consolidated statements of activities and changes in net assets. The cash payments for operating leases are classified within operating activities in the statements of cash flows.

LUC has a land lease for which it is the lessee. As of June 30, 2026 and 2025, LUC's right-of-use asset was \$0.8 million and \$0.9 million, respectively. The corresponding lease liability was \$0.9 million and \$1.0 million at June 30, 2026 and 2025, respectively. The future obligations of this lease were valued using LUC's estimated incremental borrowing rate of 2.0% as of July 1, 2020, date on which the University adopted ASU No. 2016-02, *Leases (Topic 842)*.

The table below summarizes the undiscounted cash flows for future lease payments corresponding to the lease liability as of June 30, 2026:

(in thousands of dollars)

Fiscal Year	Payments
2027	\$ 135
2028	139
2029	143
2030	147
2031	152
Thereafter	235
Total minimum lease payments	951
Present value discount	(69)
Total lease liability	<u>\$ 882</u>

Lessor Disclosures

The University is the lessor for residential and commercial lease arrangements.

LUC leases residential apartments, which are in proximity to the University's Lake Shore and Water Tower campuses, to students and residents in the local community. Residential leases primarily contain terms of 12 months or less. The lease payments are fixed and not variable. Any desire by a tenant to extend a lease beyond the term of the original lease results in a new lease. All rent revenue is recognized on a straight-line basis over the term of the lease.

LUC also leases portions of certain buildings to commercial tenants. Commercial lease terms range from 5 to 10 years, with options to extend in 5-year increments. Five-year leases typically consist of a fixed base rent along with the addition of common area maintenance (CAM) charges and real estate tax reimbursements.

Commercial leases can include periodic rent increases or other adjustments based on various factors including location, tenant needs, and expected real estate tax obligations. Rent revenue is recognized on a straight-line basis over the term of the lease, inclusive of concessions such as tenant improvement allowances and rent abatements. Most concessions to rent payments are in the form of abatements and are generally negotiated on a per tenant basis. In the event concessions are ongoing and change the overall terms and obligations of the lease, a lease modification is negotiated.

As a lessor, LUC has certain leases that have terms different than described above. These include land leases with initial lease terms that range from 15 to 99 years, with options to extend beyond the initial term. One land lease is set to expire in calendar year 2104 and provides for a base rent that is subject to an annual adjustment referenced to the consumer price index. For another land lease, rents are calculated as a percent of the lessee's revenue.

During the years ended June 30, 2026 and 2025, LUC recognized rental revenue of \$16.9 million and \$16.3 million, respectively, for its residential and commercial leases. Rent revenue is included in other operating revenue in the consolidated statements of activities and changes in net assets.

The table below summarizes the expected future annual lease revenue for both residential and commercial leases:

(in thousands of dollars)

Fiscal Year	Expected Lease Revenue
2027	\$ 16,139
2028	14,707
2029	14,546
2030	14,301
2031	13,985
Thereafter	239,165

Expected residential lease revenue of \$8.5 million is included in the table above for each of the fiscal years 2027 to 2031. Although residential leases are 12-month leases, there is historical evidence to support that these leases are renewed or new leases are signed each year.

The net book value of the building assets related to LUC's leasing activities is approximately \$63 million as of June 30, 2026 and 2025, respectively, or about 6.0% of the net book value of the University's total land, building, and equipment as of those dates. The majority of this value is for buildings that are fully occupied by residential or commercial tenants. The amount also includes that portion of the net book value of buildings leased to commercial tenants in buildings primarily used for University academic and administrative activities.

(12) Financial Assets and Liquidity Resources

LUC actively monitors liquidity required to meet its general expenditures. General expenditures include operating expenses, principal and interest payments on debt, pension and postretirement plan contributions, and internally funded capital projects. The annual cash cycle has seasonal variations primarily related to the timing of tuition billings and the receipt of gifts and pledge payments. Cash in excess of daily requirements is invested in short-term investments and money market funds to ensure adequate liquidity.

As of June 30, 2026, approximately \$426.3 million of financial assets could readily be made available within one year of that date to meet general expenditures, compared with \$414.1 million as of June 30, 2025, as follows:

(in thousands of dollars)

Financial assets at June 30:	2026	2025
Cash and cash equivalents	\$ 54,520	\$ 66,913
Short-term investments	87,855	98,826
Notes and accounts receivable, net	86,167	56,207
Donor restricted and board-designated endowed funds	1,280,899	1,166,946
Institutional reserves	211,268	184,306
Split-interest agreements	12,194	11,464
Other invested assets	3,090	5,988
Assets held in trust by others	-	1,837
Total financial assets	<u>\$ 1,735,993</u>	<u>\$ 1,592,487</u>
Less amounts not available for general expenditures within one year:		
Student loan notes – Federal government programs and other restricted loans	(4,311)	(5,347)
Contributions receivable due in more than one year or restricted by donor with time or purpose restrictions	(56,816)	(26,391)
Other receivables due in more than one year	(2,262)	(1,855)
Donor restricted and board designated endowed funds, net of appropriation for the following fiscal year	(1,230,980)	(1,125,538)
Split-interest agreements	(12,194)	(11,464)
Other invested assets	(3,090)	(5,988)
Assets held in trust by others	-	(1,837)
Total financial assets not available to meet general expenditures within one year	<u>\$ (1,309,653)</u>	<u>\$ (1,178,420)</u>
Total financial assets available to meet general expenditures within one year	<u>\$ 426,340</u>	<u>\$ 414,067</u>

In addition to the available financial assets noted above, as of June 30, 2026 and June 30, 2025, LUC has \$50.0 million and \$75.0 million, respectively, of unsecured lines of credit available to meet general expenditures. See Note 10, *Indebtedness*, for more information regarding the lines of credit.

LUC has generally operated with a balanced budget and collects sufficient revenue to cover operating expenses not covered by other funding sources such as donor-restricted and board designated endowed funds. The consolidated statements of cash flows present the sources and uses of LUC's cash and shows net cash provided by operating activities of \$32.0 million and \$46.2 million for fiscal years 2026 and 2025, respectively.

(13) Retirement Plans

LUC maintains a defined contribution retirement plan and a defined benefit retirement plan (LUERP).

Defined Contribution Retirement Plan

LUC's expense for the defined contribution retirement plan was \$27.6 million and \$26.7 million for fiscal years 2026 and 2025, respectively.

Defined Benefit Retirement Plan (LUERP)

LUERP is a frozen qualified defined benefit plan governed by ERISA. Summary information for the defined benefit retirement plan is as follows:

Projected benefit obligation, plan assets, and funded status

(in thousands of dollars)

	2026	2025
Change in projected benefit obligation		
Projected benefit obligation, beginning of year	\$ 49,034	\$ 50,883
Interest cost	2,490	2,587
Benefits paid	(3,518)	(2,358)
Actuarial loss (gain)	(1)	685
Settlements	-	(2,763)
Projected benefit obligation, end of year	<u>\$ 48,005</u>	<u>\$ 49,034</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 45,031	\$ 45,028
Actual return on plan assets	2,704	2,519
Employer contributions	2,652	2,605
Benefits paid	(3,518)	(2,358)
Settlements	-	(2,763)
Fair value of plan assets, end of year	<u>\$ 46,869</u>	<u>\$ 45,031</u>
Funded status of the plan		
Pension liability included in the consolidated statements of financial position	<u>\$ (1,136)</u>	<u>\$ (4,003)</u>

The accumulated benefit obligation for the defined benefit retirement plan was \$48.0 million and \$49.0 million at the end of fiscal years 2026 and 2025, respectively.

Net periodic pension expense

(in thousands of dollars)

	2026	2025
Change in amounts not yet recognized in net periodic pension cost and included in net assets without donor restrictions		
Beginning of year	\$ 33,978	\$ 36,724
Actuarial loss (gain)	(278)	538
Amortization of actuarial loss	(1,298)	(1,369)
Settlements	-	(1,915)
End of year	<u>\$ 32,402</u>	<u>\$ 33,978</u>
Components of net periodic pension expense		
Interest cost	\$ 2,490	\$ 2,587
Expected return on plan assets	(2,426)	(2,373)
Net amortization	<u>1,298</u>	<u>1,369</u>
Net periodic pension expense	1,362	1,583
Settlement expense	-	1,915
Disclosed net periodic pension expense	<u>\$ 1,362</u>	<u>\$ 3,498</u>

Net actuarial loss of \$1.3 million for the plan will be amortized during fiscal year 2027 as non-operating activities.

Estimated future benefit payments

Estimated future benefit payments are as follows:

(in thousands of dollars)

Fiscal Year	
2027	\$ 6,693
2028	5,368
2029	5,074
2030	4,963
2031	4,839
Thereafter	17,377

LUC does not expect to make an employer contribution to the defined benefit retirement plan in fiscal year 2027. See Note 19, *Subsequent Events* for more information.

Actuarial Assumptions

The weighted average assumptions used in the actuarial valuation of the defined benefit retirement plan are as follows:

	2026	2025
Discount rate - benefit obligations	5.57%	5.45%
Discount rate - pension expense	5.45%	5.55%
Expected long-term return on assets	5.50%	5.50%

University management develops the estimate of the expected long-term rate of return on plan assets based upon the portfolio's investment mix, expectations developed for each asset class in which the plan invests, and expected rates of return for investment strategies the portfolio employs. Return assumptions are net of expenses charged to the plan. Asset class expectations are the result of models incorporating historical performance, correlations across assets, and economic and market forecasts.

LUERP Plan Assets

LUERP assets are held in trust by an external trustee. The trust portfolio is managed in accordance with policies established by the LUERP Retirement Allowance Committee. Investments are made for the exclusive purpose of providing benefits to plan beneficiaries, with consideration given to preservation of capital and such long-term growth in the plan's assets as may fairly balance the need for reasonable return against investment risk. The investment objective is to achieve an asset growth rate through capital appreciation and current income approximately equal to or in excess of the growth in the liabilities of the plan. In pursuing this objective, the LUERP portfolio maintains allocations both to investments employed for the primary purpose of generating growth in plan assets and to investments employed to maintain a target hedge ratio against the impact of changes in interest rates on plan liabilities and to provide growth in the portfolio value over time. The portfolio's liability-hedging allocation utilizes a combination of U.S. Treasury securities and Treasury futures that is matched to the duration of expected payments to plan beneficiaries in aggregate and is intended to increase over time as a proportion of the portfolio in tandem with improvements in the plan's funded status. LUERP investment policy provides for staged increases in the liability-hedging allocation, with concomitant reductions in the allocation to return-seeking assets, as progressively higher plan funded status levels are achieved.

The defined benefit retirement plan asset allocation at the June 30 measurement date was as follows:

	2026	2025
Cash and cash equivalents, net	1%	1%
Equity securities	14%	23%
Fixed income securities	85%	76%
Total	100%	100%

The tables below summarize LUC's fair value measurements of the LUERP investment portfolio by the fair value hierarchy level and NAV as a practical expedient as of June 30, 2026 and 2025. Fair values in certain categories include the value of notional exposure to related index futures.

(in thousands of dollars)

<u>2026</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Cash and cash equivalents, net ⁽¹⁾	\$ 598	\$ 598	\$	\$	\$
Marketable equity mutual funds	6,287	6,287			
Other equity securities	18			18	
Fixed income commingled funds	27,679				27,679
Liability-hedge U.S. Treasury debt obligations	17,339	5,479	11,860		
Futures offset for liability hedge positions	(5,479)	(5,479)			
Liability-hedge cash and cash equivalents	427	427			
Total	<u>\$ 46,869</u>	<u>\$ 7,312</u>	<u>\$ 11,860</u>	<u>\$ 18</u>	<u>\$ 27,679</u>

⁽¹⁾ Amounts are net of pending trade settlements.

(in thousands of dollars)

<u>2025</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>NAV</u>
Cash and cash equivalents, net ⁽¹⁾	\$ 436	\$ 436	\$ -	\$ -	\$ -
Marketable equity mutual funds	10,287	10,287			
Other equity securities	18			18	
Fixed income commingled funds	23,119				23,119
Liability-hedge U.S. Treasury debt obligations	20,209	10,089	10,120		
Futures offset for liability hedge positions	(10,089)	(10,089)			
Liability-hedge cash and cash equivalents	1,051	1,051			
Total	<u>\$ 45,031</u>	<u>\$ 11,774</u>	<u>\$ 10,120</u>	<u>\$ 18</u>	<u>\$ 23,119</u>

⁽¹⁾ Amounts are net of pending trade settlements.

For the years ended June 30, 2026 and 2025, there were no significant transfers between fair value hierarchy levels and there were no changes in the fair value of the Level 3 investments.

(14) Other Postretirement Benefits

LUC has a defined benefit retiree health plan covering eligible employees upon their retirement. As of January 1, 2019, the plan was frozen to new participants. Also as of that date, participants with Retiree Health Reimbursement Account (RHRA) balances no longer receive allocations or annual interest credits towards the RHRA. Certain eligible retirees receive \$1,500 annually to be used by the retiree or spouse towards qualified medical expenses and for purchasing supplemental Medicare coverage.

Summary information for the defined benefit retiree health plan is as follows:

(in thousands of dollars)

	2026	2025
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 20,632	\$ 25,569
Service cost	-	-
Interest cost	968	1,265
Participant contributions	3	3
Benefits paid	(2,589)	(2,647)
Actuarial gain	(704)	(3,558)
Benefit obligation, end of year	<u>\$ 18,310</u>	<u>\$ 20,632</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	2,586	2,644
Participant contributions	3	3
Benefits paid	(2,589)	(2,647)
Fair value of plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status of the plan		
Other postretirement liability included in the consolidated statements of financial position	<u>\$ (18,310)</u>	<u>\$ (20,632)</u>
Change in amounts not yet recognized in net periodic benefit cost and included in net assets without donor restrictions		
Beginning of year	\$ (7,508)	\$ (4,756)
Net prior service credit amortization	-	438
Net gain amortization	1,234	368
Actuarial gain during the year	(704)	(3,558)
End of year	<u>\$ (6,978)</u>	<u>\$ (7,508)</u>
Components of net periodic postretirement benefit cost		
Service cost	\$ -	\$ -
Interest cost	969	1,265
Net prior service credit amortization	-	(438)
Net gain amortization	(1,234)	(368)
Net periodic postretirement benefit cost (credit)	<u>\$ (265)</u>	<u>\$ 459</u>

The actuarial gain of \$0.7 million in fiscal year 2026 was primarily due to demographic experience. The actuarial gain of \$3.6 million in fiscal year 2025 was primarily due to demographic assumption changes. These amounts are included as part of non-operating income (loss) in the consolidated statement of activities and changes in net assets.

Actuarial Assumptions

The weighted average assumptions used in the actuarial valuation of the defined benefit retiree health benefit plan are as follows:

	2026	2025
Discount rate - benefit obligations as of June 30	5.24%	5.08%
Discount rate - benefit expense	5.08%	5.50%

A discount rate of 5.24% will be used for the fiscal year 2027 benefit cost.

Health care cost trend rate assumptions for the plan

As a result of plan amendments announced in previous years, health care cost trend rate assumptions are no longer applicable.

Estimated future benefit payments

Estimated future benefit payments for each of the next five fiscal years and thereafter are as follows:

(in thousands of dollars)

Fiscal Year	Payments
2027	\$ 2,946
2028	2,904
2029	2,772
2030	2,583
2031	2,317
Thereafter	7,212

(15) Functional Classification of Expenses

The University's primary program services are academic, instruction, and research. Student services, auxiliary and institutional support expenses are incurred in support of these primary activities. The University allocates the operation and maintenance of University facilities, interest, and depreciation and amortization expenses attributable to more than one functional expense category using various cost allocation methodologies such as direct usage and building square footage.

Expenses by functional classification for the years ended June 30, 2026 and 2025 are as follows:

(in thousands of dollars)

	Academic, Instruction & Research	Student Services & Auxiliary	Institutional Support	Operation and Maintenance	Total
2026					
Salaries and wages	\$ 241,988	\$ 42,063	\$ 46,127	\$ 17,514	\$ 347,692
Fringe benefits	67,438	10,217	13,851	5,127	96,633
Non-salary operating expenses	61,384	56,485	32,931	26,376	177,176
Depreciation and amortization	30,825	23,704	6,953	-	61,482
Insurance and utilities	205	894	5,498	15,771	22,368
Interest	92	6,017	1,293	-	7,402
Total before allocation	401,932	139,380	106,653	64,788	712,753
Allocate operation and maintenance of plant	30,815	30,169	3,804	(64,788)	-
Total	<u>\$ 432,747</u>	<u>\$ 169,549</u>	<u>\$ 110,457</u>	<u>\$ -</u>	<u>\$ 712,753</u>
2025					
Salaries and wages	\$ 235,359	\$ 39,833	\$ 45,883	\$ 17,379	\$ 338,454
Fringe benefits	64,735	9,286	10,484	5,039	89,544
Non-salary operating expenses	61,356	54,369	31,662	24,806	172,193
Depreciation and amortization	30,721	24,179	6,753	-	61,653
Insurance and utilities	77	943	7,040	15,753	23,813
Interest	159	6,423	1,353	-	7,935
Total before allocation	392,407	135,033	103,175	62,977	693,592
Allocate operation and maintenance of plant	30,201	28,976	3,800	(62,977)	-
Total	<u>\$ 422,608</u>	<u>\$ 164,009</u>	<u>\$ 106,975</u>	<u>\$ -</u>	<u>\$ 693,592</u>

For fiscal years ending June 30, 2026 and 2025, respectively, fundraising expenses (before certain expense allocations) of \$16.1 million and \$17.4 million, are included primarily in Institutional Support.

LUC receives revenue from grants and contracts for sponsored projects. Federal and local government agencies and private entities support research, training, academic programming, and other sponsored programs. Expenditures for these sponsored programs net of capitalized costs, totaling \$44.2 million and \$46.2 million during fiscal years 2026 and 2025, respectively, are included in the tables above primarily under Academic, Instruction, & Research.

Consistent with LUC's not-for-profit status, LUC is exempt from federal and state income taxes. However, LUC is subject to tax on unrelated business income (UBIT), as defined by the Internal Revenue Code. The income tax liability arises from various auxiliary services such as conference services, fitness center public memberships, athletic sponsorships with advertising, and certain service agreements. Earnings from certain investments may also give rise to UBIT. The University's UBIT liability was \$0.2 million as of June 30, 2026 and less than \$0.1 million, as of June 30, 2025.

(16) Net Assets

Net assets as of June 30, 2026 are as follows:

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Perpetual:			
Endowments	\$ -	\$ 318,302	\$ 318,302
Underwater endowments	-	(6)	(6)
Endowments – board designated	628,163	14,221	642,384
Other, primarily academic or program support and student financial aid	-	64,649	64,649
Subtotal	628,163	397,166	1,025,329
Time or purpose:			
Endowments and returns subject to future appropriation	-	320,219	320,219
Academic or program support and student financial aid	-	49,839	49,839
Research	-	2,799	2,799
Student loans	-	3,645	3,645
Construction	-	-	-
Subtotal	-	376,502	376,502
Annuity	-	4,520	4,520
Life income funds	-	45	45
Term endowments	-	2,695	2,695
Board designated	29,964	-	29,964
Subtotal	29,964	383,762	413,726
Undesignated	1,060,263	-	1,060,263
Total net assets	\$ 1,718,390	\$ 780,928	\$ 2,499,318

Net assets as of June 30, 2025 are as follows:

(in thousands of dollars)	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Perpetual:			
Endowments	\$ -	\$ 287,333	\$ 287,333
Underwater endowments	-	(17)	(17)
Endowments – board designated	585,166	15,047	600,213
Other, primarily academic or program support and student financial aid	-	32,309	32,309
Subtotal	585,166	334,672	919,838
Time or purpose:			
Endowments and returns subject to future appropriation	-	277,802	277,802
Academic or program support and student financial aid	-	59,300	59,300
Research	-	2,619	2,619
Student loans	-	3,651	3,651
Construction	-	-	-
Subtotal	-	343,372	343,372
Annuity	-	3,500	3,500
Life income funds	-	102	102
Term endowments	-	2,493	2,493
Board designated	36,196	-	36,196
Subtotal	36,196	349,467	385,663
Undesignated	1,000,802	-	1,000,802
Total net assets	\$ 1,622,164	\$ 684,139	\$ 2,306,303

Net assets with donor restrictions include contributions receivable of \$57.8 million and \$27.4 million as of June 30, 2026 and 2025, respectively. See Note 8, *Notes and Accounts Receivable, Net* for further information on contributions receivable.

The University's Board of Trustees periodically designates net assets for the benefit of specific schools and academic or research activities. The following table provides a summary of the changes in the board designated net assets for fiscal years 2026 and 2025:

(in thousands of dollars)	2026	2025
Beginning of fiscal year	\$ 36,196	\$ 39,231
Additions	9,700	11,300
Release of net assets to operations	(15,727)	(13,668)
Release of net assets for capital spending	(205)	(667)
End of fiscal year	\$ 29,964	\$ 36,196

(17) Contingencies

Various lawsuits, claims, and other contingent liabilities occasionally arise in the ordinary course of LUC's education, research and other activities. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material effect on LUC's financial position or results of operations.

Indirect Cost Recovery

The University records indirect cost (IDC) recovery as part of operating revenues from grants and contracts. In February 2025, the National Institutes of Health (NIH) issued Notice NOT-OD-25-068, imposing a 15% cap on indirect cost (IDC) recovery for all new and existing NIH grants awarded to institutions of higher education from February 10, 2025. Other federal agencies also sought to limit reimbursement for indirect research costs to 15%. Subsequent to these directives, several lawsuits were filed by state attorneys general, higher education associations, research universities, and others. Given the uncertainty surrounding the outcome of these various lawsuits, the University established a reserve of \$2.2 million representing the difference between amounts recorded at the negotiated contractual rates and the 15% limit. The reserve is classified as a fiscal year 2025 non-operating expense in the consolidated statement of activities and changes in net assets and included in other liabilities on the consolidated statement of financial position as of June 30, 2025.

During fiscal year 2026, the University assessed that the reserve recorded in fiscal year 2025 was no longer necessary as the University continued to request and receive reimbursement of indirect costs at the original negotiated contractual rates. The reserve reversal is included in other non-operating income in the fiscal year 2026 statement of activities and changes in net assets. The University continues to monitor grant-related developments at the federal level, including proposed rules of the Office of Management and Budget's (OMB) Uniform Guidance, and other federal agencies.

(18) Relationship with Trinity Health

On June 30, 2011, LUC completed a transaction with Trinity Health, an Indiana not-for-profit corporation located in Livonia, Michigan, pursuant to a Definitive Agreement dated March 31, 2011 (the Definitive Agreement). As part of the transaction, Trinity Health replaced LUC as the sole member of Loyola University Health System (LUHS) and all of its affiliates including Loyola University Medical Center (LUMC), Gottlieb Health Resources (GHR), Gottlieb Memorial Hospital (GMH), and Loyola University of Chicago Insurance Company Ltd (LUCIC). Trinity Health assumed control of all the assets of LUHS and retained all of the liabilities of LUHS.

The education and research components of LUC's health sciences, including the Medical School and the Nursing School, remain with LUC following the Trinity Health transaction. LUC, LUHS, and LUMC entered into an Academic Affiliation Agreement (Affiliation Agreement), which includes negotiated terms and conditions and provides for an annual academic support payment to LUC from LUHS and LUMC. Trinity Health guarantees the academic support payment. The annual academic support payment amount was set at \$22.5 million in fiscal year 2012 (subject to an inflation adjustment) during the initial term of the Affiliation Agreement. The Affiliation Agreement had an initial term of ten years, however, beginning in the fifth year (fiscal year 2016), subject to certain limitations set forth in the Affiliation Agreement, the term is automatically extended for additional one-year periods. See Note 7, *Revenue from Contracts with Customers (Revenue Recognition)*, for additional information regarding the academic support payment.

(19) Subsequent Events

LUC has evaluated subsequent events through September 25, 2026, the date the consolidated financial statements were issued.

Defined Benefit Retirement Plan (LUERP) Termination

On September 17, 2026, the University's Board of Trustees adopted a resolution to terminate the LUERP effective as of December 31, 2026. Please refer to Note 13, *Retirement Plans*, for more information about the LUERP. The LUERP information as of June 30, 2026 and 2025 and for the fiscal years then ended do not reflect any LUERP termination-related adjustments.

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¹ As of September 17, 2026

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