SAINT LEO UNIVERSITY, INC.

Financial Statements and Supplemental Information

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

SAINT LEO UNIVERSITY, INC.

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Saint Leo University, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Saint Leo University, Inc., which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saint Leo University, Inc. as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Financial Responsibility Composite Ratio Scores on pages 29-30 (the Schedules) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2018 on our consideration of Saint Leo University, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Saint Leo University, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Saint Leo University, Inc.'s internal control over financial reporting and compliance.

KPMG LLP

August 31, 2018

SAINT LEO UNIVERSITY, INC.

Statements of Financial Position

June 30, 2018 and 2017

Assets		**2018**	**2017**
Cash and cash equivalents	$	3,754,252	11,502,758
Short term investments		4,749,897	3,112,797
Student accounts receivable, less allowance for doubtful accounts of $1,222,245 in 2018 and $5,401,699 in 2017		6,571,104	8,070,132
Grants receivable		148,199	148,057
Accounts receivable – other		31,719	392,049
Contributions receivable, net		2,105,016	2,917,046
Investments		68,687,140	65,120,866
Beneficial interest in trusts		3,573,655	3,499,592
Other assets		8,836,950	7,816,163
Interest rate exchange agreements		737,629	44,670
Land, buildings, and equipment, net of accumulated depreciation		134,702,944	139,226,598
Total assets	$	233,898,505	241,850,728
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	98,745	2,765,287
Accrued expenses and other liabilities		5,829,780	5,342,255
Interest rate exchange agreements		755	575,053
Accrued compensation		7,365,905	6,814,930
Deposits held in custody for others		168,272	161,041
Deferred revenue		446,213	531,643
Federal and state grants/loans refundable		89,809	75,813
Bonds payable, net		47,287,203	49,148,484
Total liabilities		61,286,682	65,414,506
Net assets:			
Unrestricted		153,648,551	157,946,637
Temporarily restricted		5,843,862	5,808,648
Permanently restricted		13,119,410	12,680,937
Total net assets		172,611,823	176,436,222
Total liabilities and net assets	$	233,898,505	241,850,728

See accompanying notes to financial statements.

SAINT LEO UNIVERSITY, INC.

Statements of Activities and Changes in Net Assets

Years ended June 30, 2018 and 2017

	June 30, 2018				June 30, 2017			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains and other support:								
Tuition and fees	$ 153,851,752	—	—	153,851,752	163,010,186	—	—	163,010,186
University funded scholarship allowances	(21,260,212)	—	—	(21,260,212)	(21,578,200)	—	—	(21,578,200)
Net tuition and fees	132,591,540	—	—	132,591,540	141,431,986	—	—	141,431,986
Sales of auxiliary enterprises	15,634,979	—	—	15,634,979	17,191,280	—	—	17,191,280
Contributions	20,519	250,743	303,288	574,550	253,935	1,385,357	426,698	2,065,990
Government grants	1,727,108	—	—	1,727,108	1,501,416	—	—	1,501,416
Investment earnings	3,859,652	948,222	—	4,807,874	2,588,253	661,611	—	3,249,864
Change in interest rate exchange agreements	1,267,257	—	—	1,267,257	1,978,680	—	—	1,978,680
Other revenues	425,987	791,166	—	1,217,153	420,524	863,974	—	1,284,498
Total other revenue and gains	22,935,502	1,990,131	303,288	25,228,921	23,934,088	2,910,942	426,698	27,271,728
Net assets released from restrictions	1,756,353	(1,756,353)	—	—	1,549,161	(1,549,161)	—	—
Total revenue, gains and other support	157,283,395	233,778	303,288	157,820,461	166,915,235	1,361,781	426,698	168,703,714
Expenses:								
Educational and general:								
Instructional	53,588,192	—	—	53,588,192	54,523,817	—	—	54,523,817
Academic support	16,983,832	—	—	16,983,832	17,314,166	—	—	17,314,166
Student services	39,161,202	—	—	39,161,202	37,276,054	—	—	37,276,054
Institutional support	37,882,685	—	—	37,882,685	39,731,723	—	—	39,731,723
Auxiliary enterprises	12,804,997	—	—	12,804,997	14,084,465	—	—	14,084,465
Total expenses	160,420,908	—	—	160,420,908	162,930,225	—	—	162,930,225
Change in net assets from operating activities	(3,137,513)	233,778	303,288	(2,600,447)	3,985,010	1,361,781	426,698	5,773,489
Unrealized gains (losses) on investments, net	(579,731)	(143,223)	—	(722,954)	3,023,310	662,573	—	3,685,883
Change in value of split interest agreements	—	718	73,345	74,063	—	459	185,361	185,820
Loss on disposal of plant assets	(575,061)	—	—	(575,061)	—	—	—	—
Change in net assets	(4,292,305)	91,273	376,633	(3,824,399)	7,008,320	2,024,813	612,059	9,645,192
Net assets at beginning of year	157,946,637	5,808,648	12,680,937	176,436,222	151,495,422	3,664,638	11,630,970	166,791,030
Change in donor intent and other transfers	(5,781)	(56,059)	61,840	—	(557,105)	119,197	437,908	—
Net assets at end of year	$ 153,648,551	5,843,862	13,119,410	172,611,823	157,946,637	5,808,648	12,680,937	176,436,222

See accompanying notes to financial statements.

SAINT LEO UNIVERSITY, INC.

Statements of Cash Flows

Years ended June 30, 2018 and 2017

		2018	2017
Operating activities:			
Change in net assets	$	(3,824,399)	9,645,192
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Provision for doubtful accounts		(4,029,831)	(6,094,539)
Depreciation and amortization		8,949,682	10,775,641
Net realized and unrealized gains on investments		(2,503,874)	(5,562,358)
Loss on disposal of plant assets		575,061	—
Contributions restricted for long-term investments		(303,288)	(426,698)
Receipt of agency funds		147,215,463	161,317,479
Disbursement of agency funds		(147,215,463)	(161,317,479)
Change in value of beneficial interests in trusts		(74,063)	(185,820)
Change in operating assets and liabilities:			
Student accounts receivable		5,678,482	6,978,420
Grants receivable		(142)	39,476
Contributions receivable		662,407	(624)
Other assets, including other accounts receivable		(660,457)	1,153,665
Interest rate exchange agreements		(1,267,257)	(1,978,680)
Accounts payable		(2,666,542)	370,872
Accrued expenses and other liabilities		487,525	(445,874)
Accrued compensation		550,975	191,930
Deposits held in custody for others		7,231	(7,187)
Deferred revenue		(85,430)	230,351
Federal and state grants/loans refundable		13,996	20,982
Net cash provided by operating activities		1,510,076	14,704,749
Investing activities:			
Purchases of land, buildings and equipment		(4,970,661)	(4,846,571)
Purchases of investments		(99,521,833)	(39,323,551)
Proceeds from sales and maturities of investments		96,822,333	38,479,013
Net cash used in investing activities		(7,670,161)	(5,691,109)
Financing activities:			
Repayment of principal on long-term debt		(1,891,709)	(1,844,411)
Contributions restricted for long-term investments		303,288	426,698
Net cash used in financing activities		(1,588,421)	(1,417,713)
Change in cash and cash equivalents		(7,748,506)	7,595,927
Cash and cash equivalents at beginning of year		11,502,758	3,906,831
Cash and cash equivalents at end of year	$	3,754,252	11,502,758
Supplemental cash flow information:			
Cash paid for interest	$	1,187,951	1,337,604

See accompanying notes to financial statements.

(1) Organization

Saint Leo University, Inc. (the University) is a not-for-profit organization that provides higher education through its School of Business, School of Education and Social Services, School of Continuing Education, and School of Liberal Arts and Sciences. A conventional on-campus university education is provided to students, as well as certain customary auxiliary services such as housing and food. The School of Continuing Education is engaged in extension programs, including continuing education courses that are provided at numerous military bases and other locations. The University also provides educational opportunities through its studies abroad program and Internet courses.

(2) Summary of Significant Accounting Policies and Practices

(a) Basis of Presentation and Accounting

The accompanying financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as either: unrestricted, temporarily restricted, or permanently restricted as follows:

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of the University and include those expendable resources that have been designated for special use by the Board of Trustees.
- Temporarily restricted net assets represent donated amounts that are not available until future periods or are donor restricted for specific purposes. When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of the funds which mandate that the original principal be invested in perpetuity and that the related investment income therefrom be used for restricted or unrestricted purposes, in accordance with the University’s endowment spending policies. Perpetual trusts held by third parties for the benefit of the University are also included in permanently restricted net assets.

Contributions received are measured at their fair values on the date of receipt and are reported as increases in net assets. Expenses are reported as decreases in unrestricted net assets.

Income and net realized and unrealized gains (losses) on investments are reported as follows:

- As changes in permanently restricted net assets if the terms of the gift or the University Board of Trustees’ interpretation of relevant state law require that they be added to the principal of a permanent gift
- As changes in temporarily restricted net assets if the terms of the gift impose restrictions on the use of the income
- As changes in unrestricted net assets in all other cases

(b) Interest Rate Exchange Agreements

The University uses interest rate exchange agreements as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. The interest rate exchange agreements were not entered into for trading or speculative purposes. At June 30, 2018 and 2017, the interest rate exchange agreements are recognized on the statements of financial position and are measured at fair value. Interest rate exchange agreements are often held for the life of the strategy, but reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the accompanying statements of activities and changes in net assets.

(c) Operating Measure

The change in net assets from operating activities in the accompanying statements of activities and changes in net assets represents the revenue, gains, and other support designated to operate the University, less expenses and other costs associated with the University's operating activities. The University's unrealized gains (losses) related to its investment activities, fair value changes related to split interest agreements, and losses on disposal of plant assets are excluded from the change in net assets from operating activities.

(d) Liquidity

Assets are presented in the statements of financial position according to their nearness of conversion to cash. Liabilities are presented according to the nearness of their maturity and resulting use of cash.

(e) Cash Equivalents

The University considers all highly liquid financial instruments with original maturities of three months or less to be cash equivalents.

(f) Short Term Investments and Investments

Short term investments include cash, cash equivalents and investments that are liquid in nature and are used as part of managing the University's short term cash flow needs. Investments in equity securities that have readily determinable fair values and all investments in debt securities are stated at fair value. Investments in commingled funds are measured at net asset value (NAV) or its equivalent. All real property, with the exception of the residential real property noted below, is reported at cost at the date of acquisition. The University owns two parcels of residential real property, which are recorded at fair value, classified as an unrestricted investment, and held for sale. All other investments are recorded at estimated fair value at the date of receipt if acquired by gift. All gains and losses arising from the sale, collection, or other disposition of investments are recorded as operating revenue.

(g) Beneficial Interest in Trusts

The University has a beneficial interest in one perpetual trust. The trust is held by a third party who manages the assets and makes payments to the beneficiaries.

The perpetual trust is recorded at the fair value of the underlying assets of the perpetual trust as permanently restricted net assets. Annual distributions from the perpetual trust are reported as investment income that increases unrestricted net assets or temporarily restricted net assets if restricted by donors.

At June 30, 2018 and 2017, $500,000 is recorded as contributions receivable relating to the University's beneficial interest in certain life insurance policies.

(h) Other Assets

Other assets primarily include the investments of the 457(b) Deferred Compensation Plan (note 13), prepaid expenses, and fine art.

(i) Land, Buildings, and Equipment

Land, buildings, improvements, furniture and equipment, and library books are stated at cost or, if contributed, at estimated fair value at the date of gift. Interest is capitalized in connection with the construction of major facilities. The capitalized interest is recorded as a component of the asset to which it relates and is depreciated over the asset's estimated useful life. There was no interest expense capitalized for the years ended June 30, 2018 and 2017.

Depreciation is provided over the estimated useful life, or in case of assets acquired under capital leases the shorter of the life of the lease or useful life, of each class of depreciable asset and is computed on a straight-line basis when the asset was placed in service. Furniture and equipment are depreciated over lives ranging from 4 to 20 years. Buildings and improvements are depreciated over lives ranging from 15 to 40 years, and library books are depreciated over 7 years.

(j) Impairment of Long-Lived Assets

The University evaluates the recoverability of its land, buildings, and equipment whenever adverse events or changes in the business climate indicate that the expected undiscounted future cash flows from the related asset may be less than previously anticipated. If the net book value of the related asset exceeds the undiscounted future cash flows of the asset, the carrying amount would be reduced to the present value of its expected future cash flows and an impairment loss would be recognized. No indicators of impairment existed at June 30, 2018 and 2017.

(k) Federal and State Grants/Loans Refundable

Federal and state grants/loans refundable include funds the University advances to students that will be reimbursed by the U.S. government, State of Florida, or other states. Student loans and grants are subject to restrictions.

(Continued)

(l) Tuition and Fee Revenue Recognition

Tuition and fees and related expenses for programs and academic terms that extend over more than one fiscal year are recognized using the proration method where revenues are allocated between terms based on the number of days in each term that relate to each fiscal year. The University has established an allowance for doubtful accounts based on historical collections and industry standards. Uncollectible accounts receivable are specifically identified and charged to the allowance account. Recovered bad debts are credited to the provision for bad debts when collected. The receivables are reflected at net realizable value.

(m) Financial Aid

Funding from federal and state governments is received for the benefit of certain eligible students attending the University. For most of these funds, the University acts in an agent capacity; accordingly, such amounts are not recorded as revenue and expenses in the accompanying statements of activities and changes in net assets. Only the financial aid revenue for which the University has the ability to determine individual awards to students is included in the accompanying statements of activities and changes in net assets.

(n) Income Taxes

The University is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Management does not consider federal income taxes connected with the University's unrelated business income to be significant.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, and disclosure. The University believes that it has appropriate support for its tax positions taken and as such, does not have any uncertain tax positions that could result in material impact to the accompanying financial statements.

(o) Use of Estimates

Management of the University has made several estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities at year-end, and the recognition of revenues and expenses during the reporting period to prepare the accompanying financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP). Actual results could differ from those estimates.

(3) Contributions Receivable

Contributions receivable at June 30 are summarized as follows:

		2018	2017
Due in one year or less	$	929,146	1,168,937
Due in one to five years		747,199	1,216,150
Due in greater than five years		753,737	707,402
Total contributions receivable		2,430,082	3,092,489
Less:			
Allowances for uncollectible contributions		(308,444)	(133,807)
Discount for present value (1.89% and 1.01% at June 30, 2018 and 2017, respectively)		(16,622)	(41,636)
	$	2,105,016	2,917,046

(4) Investments

Investments, including those considered short term, at June 30 consist of the following:

		2018		2017	
		Fair value	Cost	Fair value	Cost
Short-term cash fund	$	2,721,902	2,721,902	2,234,161	2,234,161
Common stocks		44,474,780	44,198,302	44,048,999	37,062,290
Government bonds		600,226	599,458	9,139,466	9,140,815
Fixed income securities		14,978,664	15,329,377	12,209,013	12,211,884
Alternative investments:					
Commingled funds:					
Hedge funds		2,025,014	2,020,341	—	—
Emerging markets funds		4,583,504	5,000,000	—	—
Fixed income funds		3,394,152	3,495,849	—	—
Real estate		658,795	496,006	602,024	496,006
Total investments	$	73,437,037	73,861,235	68,233,663	61,145,156

At June 30, 2018, the short-term cash fund included approximately $1.1 million of receivables related to unsettled sales.

The components of net investment return, including the interest earned on cash and cash equivalents, for the years ended June 30, 2018 and 2017, are as follows:

		2018	2017
Investment income	$	1,581,046	1,373,389
Realized gain, net		3,226,828	1,876,475
Investment return before unrealized gain (loss), net		4,807,874	3,249,864
Unrealized gain (loss), net		(722,954)	3,685,883
Investment return, net	$	4,084,920	6,935,747

Investment fees incurred during the years ended June 30, 2018 and 2017 were $277,981 and $420,070, respectively. Net investment return is shown net of investment fees of $49,567 and $80,057, respectively, incurred during the years ended June 30, 2018 and 2017. These fees are related to temporarily restricted net assets and are netted against temporarily restricted investment earnings. The remaining fees are included in institutional support expenses in the accompanying statements of activities and changes in net assets.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment are summarized as follows at June 30:

		2018	2017
Land	$	5,631,483	5,631,483
Buildings		125,211,457	125,218,157
Improvements		46,252,881	47,106,293
Furniture and equipment		15,544,489	18,091,928
Computer equipment		14,972,470	23,684,257
Library books		6,204,517	6,038,562
Construction in progress		3,157,677	815,823
		216,974,974	226,586,503
Less accumulated depreciation		(82,272,030)	(87,359,905)
Total land, buildings and equipment	$	134,702,944	139,226,598

Construction in progress at June 30, 2018 and June 30 2017 consisted of an ERP project and various building improvement projects. Depreciation expense on property and equipment for the years ended June 30, 2018 and 2017 was $8,919,254 and $10,745,213, respectively.

(6) Bonds Payable and Line of Credit

Bonds payable at June 30 consist of the following:

		2018	2017
HEFFA Series 2012A Revenue Refunding Bonds; Variable interest rate (2.91% and 1.78% at June 30, 2018 and 2017, respectively) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through December 2030	$	21,950,891	23,486,683
HEFFA Series 2012B Revenue Refunding Bonds; Variable interest rate (2.94% and 1.72% at June 30, 2018 and 2017, respectively) bond payable; secured by buildings; required monthly principal repayments beginning November 2012; interest due in monthly installments through October 2037		25,819,896	26,175,813
Total principal outstanding		47,770,787	49,662,496
Less:			
Unamortized debt issuance costs		(483,584)	(514,012)
Bonds payable less unamortized debt issuance costs	$	47,287,203	49,148,484

On November 29, 2012, the Higher Educational Facilities Financing Authority (HEFFA) issued its Revenue Refunding Bonds, Series 2012A in the amount of $30,000,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2010 and Series 2010A. The bond bears interest at a variable interest rate based on 68% of one month LIBOR less 2.75% plus 0.95% and is payable in monthly installments through December 2030. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.

On November 29, 2012, the HEFFA issued its Revenue Refunding Bonds, Series 2012B in the amount of $27,685,000 on behalf of the University. The proceeds of the bonds were loaned to the University and were used to refund the HEFFA Revenue Bond Series 2006, and the Bond Series 2009. The bond bears interest at a variable interest rate based on 78% of one month LIBOR less 2.75% plus 1.29% and is payable in monthly installments through October 2037. The bond has various restrictive financial covenants as defined in the loan agreement and the financing document with the purchaser of the bond.

On April 25, 2013, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting the Series 2012A variable rate bond to a fixed rate. The swap, effective April 25, 2013, and terminating on December 1, 2022, was for the notional amount of $29,481,283 at a fixed rate of 2.14%. As of June 30, 2018, the notional amount that decreases over time was $21,950,891. At June 30, 2018 and 2017, the fair value of this swap was an asset of $500,354 and $44,670, respectively.

On February 20, 2014, the University entered into an interest rate exchange agreement (swap) with BB&T Bank, effectively converting a portion of the Series 2012B variable rate bond to a fixed rate. The swap, effective February 20, 2014 and terminating on December 1, 2022, was for the notional amount of $13,700,000 at a fixed rate of 2.11%. As of June 30, 2018, the notional amount that decreases over time was $12,956,940. At June 30, 2018 and 2017, the fair value of this swap was a liability of $755 and $435,257, respectively.

On May 19, 2015, the University entered into an interest rate exchange agreement (swap) with BB&T Bank effectively converting the remaining Series 2012B variable rate bond to a fixed rate. The swap, effective May 19, 2015 and terminating on December 1, 2022, was for the notional amount of $13,394,110 at a fixed rate of 1.66%. As of June 30, 2018 the notional amount that decreases over time was $12,862,956. At June 30, 2018 and 2017, the fair value of this swap was an asset of $237,275 and a liability of $139,796, respectively.

During the years ended June 30, 2017 and 2018, the University had an available line of credit up to $10,000,000 with a financial institution. The line of credit provides borrowings at LIBOR rate plus 1.35% per annum (3.43% at June 30, 2018), and is unsecured. There were no borrowings or outstanding borrowings on the line of credit as of and for the years ended June 30, 2018 and 2017.

Management is not aware of any instances of noncompliance with any of the covenants contained in any of its financing documents at June 30, 2018 and 2017.

Maturities of bonds payable for years subsequent to June 30, 2018 are as follows:

Year ending June 30:		
2019	$	1,940,219
2020		1,986,862
2021		2,040,924
2022		2,093,261
2023		2,146,940
Thereafter		37,562,581
	$	47,770,787

Interest expense (including accruals), net of amounts capitalized (see note 2(i)), on bonds payable was $1,305,735 and $1,234,240, respectively, for the years ended June 30, 2018 and 2017.

(7) Unrestricted Net Assets

	June 30	
	2018	2017
Unrestricted net assets	$ 153,648,551	157,946,637
Less property, plant, and equipment	(134,702,944)	(139,226,598)
Add back plant-related debt	47,770,787	49,662,496
Unrestricted net assets excluding plant and related debt	$ 66,716,394	68,382,535

(8) Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2018	2017
Gifts and other unexpended revenue and gains available for:		
Comprehensive capital campaign	$ 80,579	339,443
Donor-supported scholarship aid	4,445,928	4,109,650
Student athletics	458,364	497,399
Funds held in trusts by others	16,746	16,028
Other grants and programs	842,245	846,128
Total temporarily restricted net assets	$ 5,843,862	5,808,648

Permanently restricted net assets consist of the following at June 30:

	2018	2017
Endowment funds	$ 9,562,501	9,197,373
Beneficial interest in trusts	3,556,909	3,483,564
	$ 13,119,410	12,680,937

Investment earnings on restricted contributions are expended per donor restrictions. When no donor restrictions exists the earnings are used to fund future scholarships.

(Continued)

(9) Net Assets Released from Restrictions

Net assets were released from donor restrictions as follows, during the years ended June 30, 2018 and 2017, by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

		2018	2017
Purpose restrictions accomplished:			
Donor-supported scholarship aid	$	757,741	646,910
Government grants and contracts		191,343	387,004
Student athletics		531,289	368,955
Other		275,980	146,292
	$	1,756,353	1,549,161

(10) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, grants receivable, other receivables, accounts payable, and deposits held in custody for others approximate fair value because of the short-term maturity of these financial instruments.

Contributions receivable are initially measured at fair value in the year the receivable is recorded based on the present value of the estimated future cash flows discounted at a rate that reflects the risks inherent in those cash flows, which is an application of the income approach.

A reasonable estimate of the fair value of the receivables from students under government loan programs and grants refundable to the government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the U.S. government or its designee.

The carrying amount of long-term debt approximates fair value because these financial instruments bear interest at rates that approximate current market rates for notes with similar maturities and credit quality.

U.S. GAAP defines fair value as the exit price that would be received to sell an asset or transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. U.S. GAAP also establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Based on the inputs used to determine fair value, a three-level fair value hierarchy is used as follows:

> Level 1 – Inputs that are observable, such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
>
> Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.
>
> Level 3 – Inputs that are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the factors that market participants would consider in pricing the asset or liability developed based on the best information available in the circumstances.

Investments in commingled funds represent investments measured at NAV or its equivalent and consist of a hedge fund, emerging market fund, and fixed income fund. Estimates of fair value for emerging market funds are made using NAV per share or its equivalent as a practical expedient. Such fair values are not required to be categorized in the fair value hierarchy due to FASB ASU 2015-07, Fair Value Measurement Disclosures for Investments in Certain Entities that Calculate NAV per Share (or its Equivalent) (ASU 2015-07). The fair value amount attributed to these investments continues to be presented in the table below to permit reconciliation of the fair value hierarchy to the amount presented in the accompanying statements of financial position.

The University's hedge and fixed income funds are not exchange traded but do have readily determinable fair values and are typically redeemable at net asset value (NAV) under the terms of the investment agreements. The University's emerging market fund is not exchange traded, does not have a readily determinable fair value, and is typically redeemable at NAV under the terms of the investment agreement.

The following tables present financial instruments that are measured or disclosed at fair value in the accompanying financial statements as of June 30, 2018 and 2017:

	2018			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Assets:				
Recurring:				
Cash and cash equivalents	$ 3,754,252	—	—	3,754,252
Investments:				
Short term cash fund	2,721,902	—	—	2,721,902
Common stocks	44,474,780	—	—	44,474,780
Government bonds and fixed income securities	600,226	14,978,664	—	15,578,890
Commingled funds:				
Fixed income funds	—	3,394,152	—	3,394,152
Hedge funds	—	2,025,014	—	2,025,014
Real estate	—	658,795	—	658,795
Investment measured at NAV as a practical expedient:	—	—	—	—
Emerging markets funds	—	—	—	4,583,504
Total investments	47,796,908	21,056,625	—	73,437,037
Beneficial interest in trusts	—	—	3,556,909	3,556,909
Funds held in trust by others	—	—	16,746	16,746
Interest rate exchange agreements	—	737,629	—	737,629
Total recurring	51,551,160	21,794,254	3,573,655	81,502,573
Nonrecurring:				
Contributions receivable, net	—	—	2,105,016	2,105,016
	$ 51,551,160	21,794,254	5,678,671	83,607,589
Liabilities:				
Recurring:				
Interest rate exchange agreements	$ —	755	—	755
Deposits held in custody for others	168,272	—	—	168,272
Total recurring	168,272	755	—	169,027
Disclosure:				
Bonds payable	—	47,770,787	—	47,770,787
	$ 168,272	47,771,542	—	47,939,814

	2017			
	Valued using			
	Level 1 inputs	Level 2 inputs	Level 3 inputs	Total
Assets:				
Recurring:				
Cash and cash equivalents	$ 11,502,758	—	—	11,502,758
Investments:				
Short term cash fund	2,234,161	—	—	2,234,161
Common stocks	44,048,999	—	—	44,048,999
Government bonds and fixed income securities	9,139,466	12,209,013	—	21,348,479
Real estate	—	602,024	—	602,024
Total investments	55,422,626	12,811,037	—	68,233,663
Beneficial interest in trusts	—	—	3,483,564	3,483,564
Funds held in trust by others	—	—	16,028	16,028
Interest rate exchange agreements	—	44,670	—	44,670
Total recurring	66,925,384	12,855,707	3,499,592	83,280,683
Nonrecurring:				
Contributions receivable, net	—	—	2,917,046	2,917,046
	$ 66,925,384	12,855,707	6,416,638	86,197,729
Liabilities:				
Recurring:				
Interest rate exchange agreements	$ —	575,053	—	575,053
Deposits held in custody for others	161,041	—	—	161,041
Total recurring	161,041	575,053	—	736,094
Disclosure:				
Bonds payable	—	49,662,496	—	49,662,496
	$ 161,041	50,237,549	—	50,398,590

The University's accounting policy is to recognize transfers among levels of the fair value hierarchy on the date of the event or change in circumstances that caused the transfer. There were no transfers between the levels during the years ended June 30, 2018 or 2017.

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Short-term investments – Short-term investments consisting of money market funds are measured at fair value using quoted market prices.

Common stocks – Investments in equity securities are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Government bonds and fixed income securities – Investments in fixed income securities comprise U.S. Treasury notes, mortgage-backed securities, municipal bonds, and corporate bonds and notes. U.S. Treasury notes are classified as Level 1 if they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis. The remaining fixed income securities are classified as Level 2 based on multiple sources of information, which include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Alternative Investments – The fair values of the following investments have been estimated using the net asset value per share of the investments as of June 30, 2018.

	2018 Fair value	Redemption frequency	Redemption notice period
Hedge fund:			
Wellington CTF Diversified Inflation Hedge Portfolio (a)	$ 2,025,014	Monthly	22nd calendar day of month prior
Fixed Income fund:			
Global Opportunistic Fixed Income Fund (b)	3,394,152	Daily	10 days
Emerging market fund:			
Baron Emerging Markets Fund (c)	4,583,504	Monthly	30 days
Total	$ 10,002,670		

The Baron Emerging Markets Fund has policies regarding frequent purchases and redemptions of shares.

(a) The investment objective of the Wellington CTF Diversified Inflation Hedge Portfolio fund is to provide strong relative performance versus broad equity and fixed income markets during rising inflation environments. The fund invests in assets with linkages to general inflation and in sectors where supply and demand dynamics are expected to lead to localized inflation pressures. In pursuit of this objective, the fund seeks to outperform its primary benchmark, the Multi-Asset Inflation Index (the "Index"), which is comprised of the following: 50% MSCI ACW Commodity Producers Index, 25% Bloomberg Commodity Index Total Return, and 25% Bloomberg Barclays US 1-10 Year TIPS Index. As a long-term secondary objective, the fund seeks to provide returns in excess of the U.S. consumer inflation percentage plus 5%.

(b) The investment objective of the Brandywine Global Opportunistic Fixed Income Fund is to achieve interest income and long-term capital appreciation by investing in U.S. fixed income instruments and non-U.S. developed and emerging markets sovereign debt securities. The fund concentrates its investments in bonds of countries that have the best value in the form of high real interest rates.

(c) The primary investment objective of the Baron Emerging Markets Fund is to maximize capital appreciation over the long term. The fund is a diversified fund that, under normal circumstances, invests 80% of its net assets in equity securities in the form of common stock of growth companies domiciled, headquartered or whose primary business activities or principal trading markets are in developing countries. The fund may invest up to 20% of its net assets in developed countries and in frontier countries as defined by the MSCI Frontier Markets (FM) Index. The fund seeks to invest in businesses it believes have significant opportunities for growth, sustainable competitive advantages and an attractive valuation

Real estate – Investments in real estate are classified as Level 1 when they are actively traded and a reliable quote is observable. If the investment classified as Level 1 subsequently ceases to be actively traded, it is reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

Beneficial interest in trusts – The University's beneficial interest in trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

Funds held in trust by others – The University's beneficial interest in irrevocable split-interest agreements held or controlled by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). The fair values are measured at the present value of the future distributions the University expects to receive over the term of the agreements.

Interest rate exchange agreements – Interest rate exchange agreements are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.), which take into account the present value of the estimated future cash flows and credit valuation adjustments.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following tables present a reconciliation of the statements of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2018 and 2017.

	2018		
	Beneficial interest in perpetual trust	Funds held in trust by others	Total
Balance, beginning of year	$ 3,483,564	16,028	3,499,592
Realized and unrealized gains (losses), net	73,345	718	74,063
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	$ 3,556,909	16,746	3,573,655

The amount of total net gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2018	$ 74,063

	2017		
	Beneficial interest in perpetual trust	Funds held in trust by others	Total
Balance, beginning of year	$ 3,298,203	15,569	3,313,772
Realized and unrealized gains (losses), net	185,361	459	185,820
Purchases, issuances, sales, and settlements:			
Purchases	—	—	—
Issuance	—	—	—
Sales	—	—	—
Settlements	—	—	—
Balance, end of year	$ 3,483,564	16,028	3,499,592

The amount of total net gains for the period included in change in net assets attributable to the change in unrealized gains or losses relating to financial instruments still held at June 30, 2017	$ 185,820

There have been no changes in the valuation techniques used in determining Level 1, Level 2 or Level 3 classifications.

(11) Endowment

On July 1, 2012, the State of Florida enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). As a result, the University implemented all requirements of UPMIFA, most notably the requirement that all donor-restricted endowment funds that are not classified as permanently restricted net assets be classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed in UPMIFA.

The University's endowment at June 30, 2018 and 2017 consists of 165 and 176 individual funds, respectively, established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowments classified as permanently restricted net assets include (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time of the accumulation added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the UPMIFA.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The University has a policy of appropriating for distribution each year 4%-5% of the average of its endowment funds of the three preceding fiscal years in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

At June 30, 2018, the endowment net asset composition by type of fund consisted of the following (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	2,947	13,120	16,067
Board-designated funds		56,194	—	—	56,194
Total funds	$	56,194	2,947	13,120	72,261

Changes in endowment net assets for the fiscal year ended June 30, 2018 consisted of the following (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	53,239	2,700	12,681	68,620
Investment income:					
Investment return		3,695	948	—	4,643
Net appreciation (unrealized)		(662)	(142)	74	(730)
Total investment gain (loss)		3,033	806	74	3,913
Contributions		—	—	303	303
Appropriation of endowment assets for expenditures		(72)	(503)	—	(575)
Transfer between funds		(6)	(56)	62	—
Endowment net assets, end of year	$	56,194	2,947	13,120	72,261

At June 30, 2017, the endowment net asset composition by type of fund consisted of the following (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted funds	$	—	2,700	12,681	15,381
Board-designated funds		53,239	—	—	53,239
Total funds	$	53,239	2,700	12,681	68,620

Changes in endowment net assets for the fiscal year ended June 30, 2017 consisted of the following (in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$	48,796	1,787	11,631	62,214
Investment income:					
Investment return		2,551	662	—	3,213
Net appreciation (unrealized)		2,788	663	185	3,636
Total investment gain (loss)		5,339	1,325	185	6,849
Contributions		—	—	427	427
Appropriation of endowment assets for expenditures		(339)	(531)	—	(870)
Transfer between funds		(557)	119	438	—
Endowment net assets, end of year	$	53,239	2,700	12,681	68,620

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. Deficiencies of this nature, which are reported in unrestricted net assets, did not exist at June 30, 2018 or 2017.

(12) Leases

The University is obligated under several noncancelable operating leases, primarily for office space, transportation, and office equipment, which expire through 2026. Lease expense during the years ended June 30, 2018 and 2017 totaled $2,913,446 and $2,751,929, respectively.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) are as follows:

Year ending June 30:		
2019	$	2,775,834
2020		2,517,164
2021		1,778,163
2022		1,140,545
2023		677,140
Thereafter		1,054,845
	$	9,943,691

(13) Retirement Plan

The University offers an Internal Revenue Code Section 403(b) retirement plan (the Plan) covering most hourly and salaried employees. This plan is administered by the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA-CREF) and Variable Annuity Life Insurance Company (VALIC). Employees of the University at the time the Plan was adopted were not required to contribute to participate; however, the Plan was subsequently amended to set minimum contributions from employees in order to participate. Currently, employees who meet eligibility requirements must contribute a minimum of 1% of their eligible compensation to participate. For employees making such contribution, the University will make a matching contribution at a percentage that is periodically adjusted. The University contributes up to 9% of the first 10% of compensation that a participant contributes to the Plan. Additional discretionary matching contributions may be contributed at the discretion of the University's Board of Trustees or through the collective bargaining agreement between the University and the faculty. No such additional discretionary amounts were contributed during the Plan year ended December 31, 2017. Employees become fully vested in both the employee and employer contributions to the Plan upon entering the Plan. For the years ended June 30, 2018 and 2017, the University's Plan contributions were $3,940,416 and $3,755,149, respectively. The University's policy is to fund retirement costs accrued.

The Plan is subject to routine audits by taxing jurisdictions and is currently undergoing a regulatory review, including a questionnaire compliance check and field audit by the IRS of the 2012 plan year. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2011.

The University has a 457(b) Deferred Compensation Plan, limited to specific management and faculty positions. The deferred compensation is invested with TIAA-CREF or VALIC and is considered University property until the employee withdraws the funds due to emergency, termination, or retirement. The participants' contributions are subject to the general creditors of the University. Accordingly, invested assets are recorded at fair value in other assets in the accompanying statements of financial position, with a corresponding liability in the amount of $1,996,879 and $1,757,898 recorded in accrued compensation at June 30, 2018 and 2017, respectively. The University does not record any related transaction activity as revenue or expense.

(14) Expenses

Expenses by natural classification were as follows for the years ended June 30:

	2018				
	Salaries and benefits	Contractual services	Other expenses	Depreciation and amortization	Total
Instructional	$ 42,725,949	918,159	8,325,194	1,618,890	53,588,192
Academic support	13,814,334	295,089	2,064,603	809,806	16,983,832
Student services	18,301,574	11,188,061	8,466,592	1,204,975	39,161,202
Institutional support	23,449,641	2,616,373	11,059,113	757,558	37,882,685
Auxiliary enterprises	3,149,158	391,406	4,705,980	4,558,453	12,804,997
	$ 101,440,656	15,409,088	34,621,482	8,949,682	160,420,908

	2017				
	Salaries and benefits	Contractual services	Other expenses	Depreciation and amortization	Total
Instructional	$ 43,898,751	819,889	7,876,636	1,928,541	54,523,817
Academic support	14,036,276	332,514	1,943,115	1,002,261	17,314,166
Student services	17,327,630	6,626,762	11,919,257	1,402,405	37,276,054
Institutional support	20,945,499	2,811,078	15,154,893	820,253	39,731,723
Auxiliary enterprises	3,003,653	575,354	4,883,277	5,622,181	14,084,465
	$ 99,211,809	11,165,597	41,777,178	10,775,641	162,930,225

Included in institutional support are fund raising expenses of $2,351,998 and $2,040,044 incurred by the University during the years ended June 30, 2018 and 2017, respectively.

The University operates a number of internal units that provide goods and services to other university departments. For financial statement presentation, the internal revenue and expense generated by such transactions are eliminated. For the year ended June 30, 2018, such expenses totaling $60, $10,402 and $511,100 were deducted from student services, institutional support and auxiliary enterprises, respectively. For the year ended June 30, 2017, such expenses totaling $9,388 and $489,576 were deducted from institutional support and auxiliary enterprises, respectively.

(15) Related Parties

Contributions receivable include amounts pledged by various Board of Trustee members. At June 30, 2018 and 2017, gross pledges outstanding from such Trustees amounted to $502,574 and $599,600, respectively.

(16) Contingencies

The University receives significant financial assistance from federal and state agencies in the form of grants. Expenditures of funds under those programs require compliance with the grant agreements and are subject to audit. Any disallowed expenditures resulting from such audits become a liability of the University. In the opinion of management such adjustments, if any, are not expected to materially affect the financial condition or changes in net assets of the University.

The University is party to various claims and legal actions arising in the ordinary course of business. Management does not believe that the outcome of such claims and legal actions will have a material adverse effect on the financial position or changes in net assets of the University. When management becomes aware of potential or actual claims and determines probable amounts, management will accrue such amounts if necessary. Such matters would be recorded in accounts payable or accrued expenses and other liabilities in the accompanying statements of financial position. To the extent such amounts cannot be estimated, amounts are not accrued.

(17) Subsequent Events

The University reviewed and evaluated events from June 30, 2018 through August 31, 2018, the date that the financial statements were issued, and concluded that no subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Schedules

SAINT LEO UNIVERSITY, INC.

Schedule of Financial Responsibility

Composite Ratio Scores

Year ended June 30, 2018

Primary Reserve Ratio		
Expendable Net Assets	$ 69,110,683	
Total Expense	$ 160,420,908	
		0.4308
Equity Ratio		
Modified Net Assets	$ 172,109,249	
Modified Assets	$ 233,395,931	
		0.7374
Net Income Ratio		
Change in Unrestricted Net Assets	$ (4,292,305)	
Total Unrestricted Revenues	$ 157,283,395	
		(0.0273)

Primary Reserve:	0.4308	3.0000	40%	1.2000
Equity:	0.7374	3.0000	40%	1.2000
Net Income:	(0.0273)	0.3177	20%	0.0635
Composite Score				2.5

See accompanying independent auditors' report.

See notes to schedules of financial responsibility composite ratio scores.

SAINT LEO UNIVERSITY, INC.

Schedule of Financial Responsibility

Composite Ratio Scores

Year ended June 30, 2017

Primary Reserve Ratio	$ 70,377,571	
Expendable Net Assets	$ 162,930,225	
Total Expense		0.4319
Equity Ratio		
Modified Net Assets	$ 175,836,622	
Modified Assets	$ 241,251,128	
		0.7289
Net Income Ratio		
Change in Unrestricted Net Assets	$ 7,008,320	
Total Unrestricted Revenues	$ 166,915,235	
		0.0420

Primary Reserve:	0.4319	3.0000	40%	1.2000
Equity:	0.7289	3.0000	40%	1.2000
Net Income:	0.0420	3.0000	20%	0.6000
Composite Score				3.0

See accompanying independent auditors' report.

See notes to schedules of financial responsibility composite ratio scores.

(1) Reporting Entity

Saint Leo University, Inc. (the University) is a not-for-profit organization that provides higher education services through its School of Business, School of Education and Social Services, School of Continuing Education, and School of Liberal Arts and Sciences. A conventional on-campus university education is provided to students, as well as certain customary auxiliary services such as housing and food. The School of Continuing Education is engaged in extension programs, including continuing education courses that are provided at numerous military bases and other locations. The University also provides educational opportunities at numerous military bases and other locations. The University also provides educational opportunities through its studies abroad program and internet courses.

The Schedules of Financial Responsibility Composite Ratio Scores (the Schedules) are prepared and submitted to the State of Florida Department of Education and are prepared pursuant to Appendix B of 34 CFR Part 668 – Subpart L. *Ratio Methodology for Private Non-Profit Institutions* (U.S. Department of Education) (the Code). The Schedules contain only the financial responsibility composite ratio scores required by the Code and are not intended to present the financial position or the results of operations of the University for the years ended June 30, 2018 and 2017, in accordance with U.S. generally accepted accounting principles.

(2) Basis of Accounting

The Schedules are prepared using the accrual basis of accounting. The University prepares the Schedules based on the University's audited financial statements for the years ended June 30, 2018 and 2017.

(3) Financial Responsibility Composite Scores

The Schedules of Financial Responsibility Composite Ratio Scores are prepared pursuant to the Code. The composite score calculated reflects the overall relative financial health of institutions along a scale from negative 1.0 to positive 3.0.

The composite scores include the following required ratios, strength factors, and weight factors:

(a) Ratios

(i) Primary Reserve Ratio

Represents expendable net assets over total expenses.

Expendable net assets represent unrestricted net assets, plus temporary restricted net assets, less annuities, term endowments, and life income funds that are temporarily restricted, less intangible assets, less net property, plant, and equipment, plus post-employment and retirement liabilities, plus all debt obtained for long-term purposes, plus unsecured related party receivables.

Total expenses represents total unrestricted expenses taken directly from the audited financial statements.

(ii) Equity Ratio

Represents modified net assets over modified assets.

Modified net assets represent total net assets less intangible assets and unsecured related party receivables.

Modified assets represent total assets less intangible assets and unsecured related party receivables.

(iii) Net Income Ratio

Represents change in unrestricted net assets over total unrestricted revenues.

Change in unrestricted net assets represents the change in unrestricted net assets taken directly from the audited financial statements.

Total unrestricted revenues is taken directly from the audited financial statements and includes net assets released from restriction during the fiscal year.

(b) Strength factors

The strength factor for each ratio is calculated as follows:

(i) Primary Reserve Ratio

10 x Primary Reserve Ratio result

(ii) Equity Ratio

6 x Equity Ratio Result

(iii) Net Income Ratio

1 + (50 x Net Income Ratio result) for positive Net Income Ratios

1 + (25 x Net Income Ratio result) for negative Net Income Ratios

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

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

(c) Weight factors

The weight factor for each ratio is as follows:

(i) Primary Reserve Ratio

40%

(ii) Equity Ratio

40%

(iii) Net Income Ratio

20%