Herzing University, Ltd.

Audited Financial Statements
Years ended December 31, 2025 and 2024
(With Independent Auditor's Report Therein under
Government Auditing Standards)

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RSM US LLP

Independent Auditor's Report

Board of Trustees
Herzing University, Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Herzing University, Ltd. (the University), which comprise the statements of financial position as of December 31, 2025 and 2024, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2026, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

RSM US LLP

Chicago, Illinois
May 29, 2026

Herzing University, Ltd.

Statements of Financial Position
December 31, 2025 and 2024
(in thousands)

	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	**$ 25,261**	$ 11,602
Restricted cash and cash equivalents	**3,503**	4,441
Investments	**97,899**	66,090
Accounts receivable, net of allowance for credit losses of $8,217 and $7,057, in 2025 and 2024, respectively	**3,999**	6,682
Prepaid expenses and other assets	**4,207**	3,521
Total current assets	**134,869**	92,336
Property and equipment, net	**30,428**	29,845
Long-term assets:		
Goodwill, net	**5,674**	7,565
Other intangible assets, net	**32,017**	32,075
Investments held for deferred compensation	**990**	759
Operating lease right-of-use assets, net	**23,112**	24,647
Long-term investments	**891**	774
Interest rate swap	**897**	1,353
Total other long-term assets	**63,581**	67,173
Total assets	**$ 228,878**	$ 189,354
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	**$ 12,573**	$ 5,622
Accrued expenses	**3,723**	1,018
Current maturities on long-term debt	**389**	378
Accrued compensation	**7,780**	6,692
Restricted cash liability	**3,503**	4,441
Unearned tuition	**2,228**	3,468
Current portion of operating lease liabilities	**4,336**	5,522
Total current liabilities	**34,532**	27,141
Long-term liabilities:		
Long-term debt, less current maturities	**10,160**	10,549
Operating lease liabilities, less current portion	**27,541**	28,407
Total long-term liabilities	**37,701**	38,956
Total liabilities	**72,233**	66,097
Net assets:		
Without donor restrictions	**155,210**	122,016
With donor restrictions	**1,435**	1,241
Total net assets	**156,645**	123,257
Total liabilities and net assets	**$ 228,878**	$ 189,354

See notes to financial statements.

Herzing University, Ltd.

Statements of Activities
Years Ended December 31, 2025 and 2024
(in thousands)

	2025			2024		
	Net Assets Without Donor Restrictions	**Net Assets With Donor Restrictions**	**Total**	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Operating revenue and other support:						
Tuition revenue, net of scholarships of $21,226 and $20,430, in 2025 and 2024, respectively	**$ 180,026**	**$ -**	**$ 180,026**	$ 145,430	$ -	$ 145,430
Fee revenue	**32,819**	**-**	**32,819**	25,885	-	25,885
Grant revenue	**4,391**	**-**	**4,391**	4,388	-	4,388
Private gifts and grants	**41**	**140**	**181**	7	119	126
Other revenue	**493**	**-**	**493**	765	-	765
Net assets released from restrictions	**69**	**(69)**	**-**	44	(44)	-
Total operating revenue and other support	**217,839**	**71**	**217,910**	176,519	75	176,594
Operating expenses:						
Educational services:						
Instruction	**82,716**	**-**	**82,716**	71,506	-	71,506
Student services	**31,790**	**-**	**31,790**	26,941	-	26,941
Scholarships and fellowships	**553**	**-**	**553**	540	-	540
Total educational services	**115,059**	**-**	**115,059**	98,987	-	98,987
General and administrative	**83,301**	**-**	**83,301**	66,804	-	66,804
Total operating expenses	**198,360**	**-**	**198,360**	165,791	-	165,791
Nonoperating items:						
Interest and dividends, net	**2,778**	**27**	**2,805**	1,976	24	2,000
Realized and unrealized gain on investments, net	**11,993**	**96**	**12,089**	4,797	216	5,013
Loss on the disposal of property and equipment	**(253)**	**-**	**(253)**	-	-	-
Unrealized (loss) gain on interest rate swap	**(456)**	**-**	**(456)**	34	-	34
Other nonoperating items	**(347)**	**-**	**(347)**	(489)	-	(489)
Total nonoperating items	**13,715**	**123**	**13,838**	6,318	240	6,558
Change in net assets	**33,194**	**194**	**33,388**	17,046	315	17,361
Net assets:						
Beginning	**122,016**	**1,241**	**123,257**	104,970	926	105,896
Ending	**$ 155,210**	**$ 1,435**	**$ 156,645**	$ 122,016	$ 1,241	$ 123,257

See notes to financial statements.

Herzing University, Ltd.

Statements of Cash Flows
Years Ended December 31, 2025 and 2024
(in thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	**$ 33,388**	$ 17,361
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**6,147**	6,133
Net realized and unrealized gain on investments	**(12,089)**	(5,013)
Unrealized loss (gain) on interest rate swap	**456**	(34)
Loss on disposals of property and equipment	**253**	-
Amortization of operating lease right-of-use asset	**5,828**	4,296
Changes in assets and liabilities:		
Accounts receivable, net	**2,683**	(1,321)
Prepaid expenses and other assets	**(917)**	(566)
Accounts payable	**6,223**	402
Accrued expenses	**2,705**	256
Accrued compensation	**1,088**	895
Restricted cash liability	**(938)**	3,098
Unearned tuition	**(1,240)**	902
Operating lease liabilities	**(6,345)**	(2,986)
Net cash provided by operating activities	**37,242**	23,423
Cash flows from investing activities:		
Purchases of property and equipment	**(4,306)**	(4,255)
Purchases of investments	**(55,011)**	(30,572)
Proceeds from sales of investments	**35,174**	18,536
Net cash used in investing activities	**(24,143)**	(16,291)
Cash flows from financing activities:		
Principal payments on notes payable	**(378)**	(366)
Net cash used in financing activities	**(378)**	(366)
Net change in cash, restricted cash and cash equivalents	**12,721**	6,766
Cash, restricted cash and cash equivalents:		
Beginning	**16,043**	9,277
Ending	**$ 28,764**	$ 16,043
Cash, restricted cash and cash equivalents:		
Cash and cash equivalents	**$ 25,261**	$ 11,602
Restricted cash and cash equivalents	**3,503**	4,441
	$ 28,764	$ 16,043
Supplemental disclosures of cash flow information:		
Cash payments for interest	**$ 304**	$ 315
Purchase of property and equipment included in accounts payable	**$ 728**	$ 18

See notes to financial statements.

Note 1. Nature of Organization and Significant Accounting Policies

Nature of organization: Herzing University, Ltd. (the University) is a private, not-for-profit institution of higher education organized under the laws of the State of Wisconsin, with its headquarters in Milwaukee, Wisconsin. The University consists of 12 ground campuses and one online campus in various cities throughout the United States. The University provides diploma and degree programs in technology, business, health care and public safety.

A summary of the University's significant accounting policies follows:

Accounting policies: The University follows accounting standards established by the Financial Accounting Standards Board (FASB) to ensure consistent reporting of financial condition. References to accounting principles generally accepted in the United States of America (U.S. GAAP) in these footnotes are to the FASB Accounting Standards Codification, sometimes referred to as the Codification or ASC.

Basis of presentation: The financial statements have been prepared on the accrual basis in conformity with U.S. GAAP. All amounts disclosed in the footnotes are rounded to the nearest thousand dollars.

Measure of operations: Operating activities includes all activities of the University that are an integral part of its programs and supporting activities. Those items classified as nonoperating activities include investment activity, any gain or loss on the University's interest rate swap agreement, any gain or loss on disposal of long-lived assets, and other nonoperating activities.

Management's use of estimates: The preparation of the financial statements in conformity with U.S. GAAP requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

Net asset classes: The University presents financial information pursuant to ASC 958-205, Not-for-Profit Entities: Presentation of Financial Statements, which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified into distinct net asset categories according to externally (donor) imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions are reported as net assets without donor restrictions.

Net assets with donor restrictions: The University reports gifts as net assets with donor restrictions if they are received with donor stipulations limiting the use of the donated assets. When a restriction is satisfied, net assets with donor restrictions are transferred to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Net assets with donor restrictions include $534,000 for 2025 and 2024 required to be maintained permanently (in perpetuity), $124,000 and $240,000 for 2025 and 2024, respectively, of earnings on those funds which support scholarships, as well as $777,000 and $467,000 for 2025 and 2024, respectively, of other funds restricted for various scholarships.

Cash and cash equivalents: The University considers short-term, highly liquid investments that are readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates, and that have an original maturity of three months or less when purchased, to be cash equivalents. The University maintains funds in accounts in excess of Federal Deposit Insurance Corporation insurance limits; however, the University minimizes this risk by maintaining deposits in high-quality financial institutions. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Investments: The University's investments consist of marketable debt and equity securities which are carried at fair value. The University's long-term investments comprise the portion of the endowment to be held in perpetuity.

Realized gains and losses on sales of securities represent the difference between net proceeds received and the cost of the investments. Realized and unrealized gains and losses are included in the statements of activities and gains and/or losses are allocated to net asset classes, dependent upon donor specifications.

Purchase and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Interest income is reported as an increase in net assets with donor restrictions if the terms of the gift or the University's interpretation of relevant state law imposes a restriction on the use of the interest income. If no restriction exists, interest income is recorded as an increase in net assets without donor restrictions. Dividends are recorded on the ex-dividend date. Unrealized gains and losses represent the change in the fair value of the individual investments for the year, or since the acquisition date, if acquired during the year.

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

The University's investment strategy incorporates a diversified asset allocation approach. This strategy provides the University with a long-term asset mix that is most likely to meet the University's long-term return goals with the appropriate level of risk. The University's management and the finance committee of the Board of Trustees review reports provided by the fund managers in order to evaluate the risk associated with these investments. In addition, the finance committee of the Board of Trustees monitors its portfolio mix to ensure that it is in accordance with the Board of Trustees' policy. State law permits the Board of Trustees to appropriate the invested funds as suitable, considering the University's long-term and short-term needs.

Restricted cash and cash equivalents: Short-term restricted cash and cash equivalents represent amounts held for students that were received from federal and state governments under various student aid grant and loan programs that have not been disbursed to student accounts or refunded to the various programs due to timing and cash held in alumni accounts.

Accounts receivable: Accounts receivable consist primarily of amounts due from students, net of an allowance for credit losses. The University estimates the credit loss allowance balance by performing an aging analysis and determining the probability of default using relevant available internal and external information, considering past and current conditions and reasonable and supportable forecasts. Accounts receivable are charged to the allowance for credit losses when the University determines the receivable is not collectible.

Estimating credit losses based on risk characteristics requires significant judgment by the University. Significant judgments include but are not limited to assessing current economic conditions and the extent to which they would be relevant to the existing characteristics of the University's financial assets, the estimated life of financial assets and the level of reliance on historical experience in light of economic conditions. The University reviews and updates, when necessary, its historical risk characteristics that are meaningful to estimating credit losses, any new risk characteristics that arise in the natural course of business and the estimated life of its financial assets.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

The information obtained from assessing historical experience, current economic conditions and reasonable and supportable forecast are used to identify risk characteristics that can affect future credit loss experience. The University considers its student receivables to represent a single portfolio segment due to similar risk characteristics primarily driven by delinquency status and historical collection experience.

Below is a summary of the changes in the University's allowance for credit losses for the year ended December 31, 2025 and 2024 (in thousands):

	2025	2024
Balance, beginning	$ 7,057	$ 6,274
Provision for expected credit losses	5,068	3,749
Write-offs	(3,908)	(2,966)
Balance, ending	$ 8,217	$ 7,057

Interest-rate swap: The University uses an interest-rate swap to mitigate interest-rate risk on its long-term debt (see Note 7). The related liability or asset is reported at fair value on the statements of financial position, and unrealized gains or losses are included in the statements of activities as a nonoperating item.

Prepaid expenses and other assets: Prepaid expenses and other assets consist of costs related to prepaid computer maintenance contracts, prepaid accreditation, security deposits and other operating costs paid for before incurred. The University amortizes prepaid expenses over the life of contracts in place.

Property and equipment: Property and equipment, including acquisition fees and other acquisition costs incurred, are stated at cost or, in the case of contributions, at fair value at date of receipt. Expenditures for ordinary maintenance and repairs are expensed as they are incurred. Significant renovations and improvements, which improve or extend the useful life of the asset, are capitalized.

Depreciation and amortization of property and equipment are accounted for using the straight-line method over the estimated useful lives of the assets as follows:

Building and building improvements	25-39 years
Equipment	3-10 years
Leasehold improvements	Shorter of lease term, useful life or 10 years

Long-lived assets used by the University are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. When such factors indicate that assets should be evaluated for possible impairment, the University performs an analysis, comparing the carrying value of the assets to future undiscounted cash flows of the underlying assets. The carrying value of the underlying assets is adjusted to fair value if the sum of the expected undiscounted future cash flows is less than book value. There were no impairment indicators present, and as such, no impairment was recognized during the years ended December 31, 2025 and 2024.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Leases: The University follows the lease accounting guidance in FASB ASC Topic 842. The University determines if an arrangement is a lease at inception of the contract. Under Topic 842, a lease is a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (i.e., an identified asset) for a period of time in exchange for consideration. The University's contracts determined to be a lease or contain a lease include explicitly or implicitly identified assets where the University has the right to obtain substantially all of the economic benefits of the assets and has the ability to direct how and for what purpose the assets are used during the lease term.

Leases are classified as either operating or financing. The University currently has only operating leases. For operating leases, the University recognizes a lease liability equal to the present value of the remaining lease payments and lease incentives, and a right-of-use asset equal to the lease liability, subject to certain adjustments, such as for prepaid rent. The lease term may include options to extend or terminate the lease when it is reasonably certain that the University will exercise such options. The discount rate used by the University is the rate implicit in the lease, if that rate is readily determinable. If that rate is not readily determinable, the University has made a policy election to use the risk-free rate as the discount rate.

The University defines a short-term lease as any lease arrangement with an original lease term of 12 months or less that does not include an option to purchase the underlying asset. The University has made a policy election to not recognize right-of-use assets and lease liabilities for short-term leases. As a result, short-term lease payments are recognized as expense on a straight-line basis over the lease term, and variable lease payments are recognized in the period in which the obligation is incurred. The University did not have any short-term leases in fiscal years 2025 and 2024.

For lease arrangements with lease and non-lease components, the University has made a policy election to account for lease and non-lease components separately for all classes of assets.

Goodwill: Goodwill represents the excess of the consideration transferred over the fair value of identifiable net assets acquired in business combinations accounted for using the acquisition method in accordance with ASC 805. The University has elected the private company accounting alternative for goodwill under ASC 350-20. Accordingly, goodwill is amortized on a straight-line based over an estimated useful life not to exceed 10 years.

Under this accounting alternative, goodwill is evaluated for impairment only upon the occurrence of a triggering event that indicates the fair value of the University may be less than its carrying amount. If such a triggering event occurs, the University compares the value of the University with its carrying amount, including goodwill. An impairment loss is recognized for the amount by which the carrying amount exceeds fair value, limited to the carrying amount of goodwill.

Management evaluated whether triggering events occurred during the year ended December 31, 2025 and 2024, and determined that no impairment of goodwill was required.

Intangible assets: Definite life intangible assets are recorded at their estimated fair value at the date of acquisition by the University and are amortized over their estimated useful lives using the straight-line method.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Intangible assets with indefinite useful lives, which include the tradename and accreditation, while not amortized, are reviewed for impairment annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Recoverability is measured by a comparison of the carrying amount to the estimated undiscounted future cash flows expected to be generated by the assets. If the carrying amounts of the assets exceed their estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amounts of the assets exceed their fair values. There was no impairment in 2025 and 2024 for intangible assets with indefinite useful lives.

Revenue recognition: The University receives revenue from various sources. Revenues are recognized as follows:

Tuition revenues are recognized ratably over the length of a course when instructional services are provided. As part of the requirements for completion of courses, students are required to pay other fees associated with courses in addition to tuition. Fees represent Learner Resource Fees which include and support use of university equipment, the use of eBooks (or the use of textbooks when eBooks are not available), the learning management system (LMS), library and other learning resources, and academic and technical support services. These fees totaling $18,565,000 and $15,252,000 for the years ended December 31, 2025 and 2024, respectively, are recognized over time corresponding to the instructional period, similar to tuition. Fees may also include program specific fees, which are broken down into Nursing, Non-Nursing Program Fee Revenue and enrollment fees. Program specific fees, totaling $14,254,000 and $10,633,000, for the years ended December 31, 2025 and 2024, respectively, are recognized as revenue at a point in time.

Upon approval of admission applications, enrollment agreements are executed, and program admission is offered and accepted. Enrollment agreements (and payment plan agreements, if applicable) are signed by the student acknowledging their responsibility to guarantee funds and in exchange the University is obligated to provide academic programs. Tuition and fees are due on or before the first day of the semester.

Tuition and fees, less the enrollment fee, may be refunded to students upon withdrawal of attendance within two weeks of the semester beginning. After two weeks and up until 60% of the class is completed, withdrawal will result in a refund of tuition and fees in proportion to the percentage not attended. No refund is given if a student withdraws after 60% of the course is completed. These refunds reduce tuition and fee revenue at the point in time they occur. All refunds related to withdrawals are fully recognized by each semester end. Tuition and fees received in advance of services rendered are recorded as unearned tuition. Scholarships are recorded net of revenues. Opening balances as of January 1, 2024, were as follows:

Accounts receivable, net	$ 5,361,000
Contract liabilities (unearned tuition)	2,566,000

All amounts of unearned tuition at the beginning of a year are recognized as revenue within that current year.

Other revenue includes student orientation fees, books and supplies revenue, student loan management fees, continuing education revenue, and dental hygiene revenue. Continuing education revenue, totaling $0 and $239,000 for the years ended December 31, 2025 and 2024, respectively, are recognized as revenue over time. All other revenue, totaling $493,000 and $526,000 for the years ended December 31, 2025 and 2024, respectively, is recognized as revenue at the point in time the fee is charged.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Unconditional contributions, including unconditional promises to give, are recognized in the period received. Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues without donor restrictions. Grant revenue represents conditional contributions received from governmental agencies. Revenue is recognized when the related conditions are satisfied, generally when qualifying expenditures are incurred. The University has received conditional promises to give, which generally represent unexpended government grants, of $1,172,000 and $5,453,000 as of December 31, 2025 and 2024, respectively, which have not been recognized because the University has not yet met the related barriers. These amounts will be subject to recognition as the University incurs qualifying expenses and performs its duties under the terms of the grant agreements.

The University reports gifts of cash and other assets as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, with donor restrictions are reclassified to without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The University recognizes gifts of land, buildings and equipment as revenue without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire or construct long-lived assets are reported as revenue with donor restrictions. The restrictions are considered to be released at the time the long-lived asset is placed in service. Contributions of assets other than cash are recorded at their estimated fair value as of the date received.

Advertising: The University expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2025 and 2024, were $37,659,000 and $30,853,000, respectively.

Income taxes: The University qualifies as a tax-exempt organization under Section 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes. The University annually files Form 990 in the U.S. federal jurisdiction and in the State of Wisconsin.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the University may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the University and various positions related to the potential sources of unrelated business taxable income. As of December 31, 2025 and 2024, there were no unrecognized tax benefits identified.

Reclassifications: Certain 2024 balances have been reclassified to conform to the current year presentation without any effect on the previously reported net assets without donor restrictions, net assets with donor restrictions, or changes in net assets.

Note 1. Nature of Organization and Significant Accounting Policies (Continued)

Recently issued accounting pronouncements: In July 2025, the FASB issued Accounting Standards Update (ASU) 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU introduces a practical expedient and, for entities other than public business entities, an accounting policy election to simplify the application of Topic 326, *Financial Instruments—Credit Losses*, to current accounts receivable and current contract assets arising from revenue transactions accounted for under Topic 606, *Revenue from Contracts with Customers*.

This ASU is effective for all entities for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. The adoption of ASU 2025-05 is not expected to have a significant impact on the University's financial statements. The University is currently evaluating the impact of this new guidance on its financial statements.

Subsequent events: Management has evaluated subsequent events through May 29, 2026, on which the financial statements were available to be issued.

Note 2. Liquidity and Available Resources

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, investments, lines of credit and letters of credit. See Note 7 for information about the University's lines of credit and letters of credit. The following reflects the financial assets as of December 31, 2025 and 2024, reduced by amounts not available for general expenditures due to contractual or donor-imposed restrictions within one year (in thousands):

	2025	2024
Cash and cash equivalents	$ 25,261	$ 11,602
Restricted cash and cash equivalents	3,503	4,441
Investments	97,899	66,090
Interest rate swap	897	1,353
Accounts receivable, net of allowance for credit losses	3,999	6,682
Investments held for deferred compensation	990	759
Long-term investments	891	774
Financial assets as of December 31, 2025 and 2024	133,440	91,701
Less amounts restricted due to donor restrictions	(1,435)	(1,241)
Less restricted cash and cash equivalents	(3,503)	(4,441)
Less interest rate swap	(897)	(1,353)
Less investments held for deferred compensation	(990)	(759)
Financial assets available to meet cash needs for general expenditures within one year	$ 126,615	$ 83,907

Note 3. Functional Classification of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and are presented in greater detail below (in thousands). Expenses are charged directly to educational services and general and administrative categories based upon specific identification where possible. Compensation is directly identifiable. Expenses which are not directly identifiable to educational services or general and administrative categories are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization, occupancy costs and interest, which are allocated on the basis of square footage. The University does not conduct fundraising activities.

	2025				
	Instruction	Student Services	General and Administrative	Scholarships and Fellowships	Total
Compensation	$ 51,841	$ 24,951	$ 17,785	$ -	$ 94,577
Advertising	-	-	37,659	-	37,659
Instructional support	7,569	655	-	553	8,777
Equipment and supplies	4,713	2,049	4,312	-	11,074
Professional services	452	663	11,546	-	12,661
Occupancy	6,087	1,297	2,594	-	9,978
Textbooks	5,092	-	-	-	5,092
Depreciation and amortization	3,750	799	1,598	-	6,147
Travel	812	680	761	-	2,253
Interest	185	40	79	-	304
Professional development	334	253	455	-	1,042
Other	1,881	403	1,684	-	3,968
Provision for credit losses	-	-	4,828	-	4,828
Total	$ 82,716	$ 31,790	$ 83,301	$ 553	$ 198,360

	2024				
	Instruction	Student Services	General and Administrative	Scholarships and Fellowships	Total
Compensation	$ 45,271	$ 22,060	$ 14,289	$ -	$ 81,620
Advertising	-	-	30,853	-	30,853
Instructional support	4,733	568	-	540	5,841
Equipment and supplies	4,013	1,223	3,220	-	8,456
Professional services	715	345	8,666	-	9,726
Occupancy	4,609	999	2,074	-	7,682
Textbooks	6,076	-	-	-	6,076
Depreciation and amortization	3,680	797	1,656	-	6,133
Travel	696	495	762	-	1,953
Interest	189	41	85	-	315
Professional development	252	244	423	-	919
Other	1,272	169	1,330	-	2,771
Provision for credit losses	-	-	3,446	-	3,446
Total	$ 71,506	$ 26,941	$ 66,804	$ 540	$ 165,791

Note 4. Fair Value Measurements

The Fair Value Measurements and Disclosures topic of the FASB Codification (Topic) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and sets out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined under the Topic as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the Topic are described below:

Level 1: Quoted market prices in active markets, such as the New York Stock Exchange, for identical assets or liabilities.

Level 2: Observable market-based inputs or observable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining appropriate levels, the University performs a detailed analysis of the assets and liabilities that are subject to the Topic. The University assesses the levels of financial instruments at each measurement date, and transfers between levels are recognized on the actual date of the event of change in circumstances that caused the transfer in accordance with the University's accounting policy regarding recognition of transfers between levels of the fair value hierarchy. For the years ended December 31, 2025 and 2024, there were no such transfers.

Mutual funds and fixed income securities are valued based on quoted market prices in active markets. Fixed income securities include Federal Government Securities, Municipal Obligations, and Other Fixed Income, and are classified as Level 1. Corporate Bonds are based on observable market-based inputs and are classified as Level 2.

The interest rate swap is valued using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows. This analysis reflects the contractual terms of the interest rate swap, including the period to maturity, and uses of observable market-based inputs, including interest rates. The fair value estimate is classified as Level 2.

Note 4. Fair Value Measurements (Continued)

The major categories of assets reported at fair value, on a recurring basis, as of December 31, 2025 and 2024, are as follows (in thousands):

	2025			
	Fair Value Measurements Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Mutual funds:				
Equities	$ 64,877	$ -	$ -	$ 64,877
Fixed income	29,009	4,904	-	33,913
	$ 93,886	$ 4,904	$ -	$ 98,790
Investments held for deferred compensation:				
Mutual funds:				
Equities	$ 872	$ -	$ -	$ 872
Cash and cash equivalents				118
				$ 990
Interest rate swap asset	$ -	$ 897	$ -	$ 897

	2024			
	Fair Value Measurements Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Mutual funds:				
Equities	$ 48,259	$ -	$ -	$ 48,259
Fixed income	14,804	3,801	-	18,605
	$ 63,063	$ 3,801	$ -	$ 66,864
Investments held for deferred compensation:				
Mutual funds:				
Equities	$ 679	$ -	$ -	$ 679
Cash and cash equivalents				80
				$ 759
Interest rate swap asset	$ -	$ 1,353	$ -	$ 1,353

Note 5. Property and Equipment

Property and equipment at December 31, 2025 and 2024, consist of the following (in thousands):

	2025	2024
Land	$ 2,795	$ 2,795
Building and building improvements	12,668	12,405
Leasehold improvements	18,542	17,683
Equipment	21,611	20,232
Construction in progress	1,080	146
Total	56,696	53,261
Less accumulated depreciation	(26,268)	(23,416)
Property and equipment, net	$ 30,428	$ 29,845

Depreciation expense was $4,198,000 and $4,184,000 for the years ended December 31, 2025 and 2024, respectively.

Note 6. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following as of December 31, 2025 and 2024 (in thousands):

	2025			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill	10 Years	$ 18,913	$ 13,239	$ 5,674
Accreditation	Indefinite	21,045	-	21,045
Tradename	Indefinite	10,741	-	10,741
Student base	1 Year	5,876	5,876	-
URLs/domain names	15 Years	866	635	231
		$ 57,441	$ 19,750	$ 37,691

	2024			
	Amortization Period	Gross Carrying Amount	Accumulated Amortization	Net
Goodwill	10 Years	$ 18,913	$ 11,348	$ 7,565
Accreditation	Indefinite	21,045	-	21,045
Tradename	Indefinite	10,741	-	10,741
Student base	1 Year	5,876	5,876	-
URLs/domain names	15 Years	866	577	289
		$ 57,441	$ 17,801	$ 39,640

Note 6. Goodwill and Intangible Assets (Continued)

The roll forward of goodwill and intangible assets consisted of the following as of December 31, 2025 and 2024 (in thousands):

	Goodwill	Intangible Assets
Balance, January 1, 2024	$ 9,456	$ 32,133
Amortization	(1,891)	(58)
Balance, December 31, 2024	7,565	32,075
Amortization	(1,891)	(58)
Balance, December 31, 2025	$ 5,674	$ 32,017

Estimated amortization expense for each of the years ending December 31 are as follows (in thousands):

	Goodwill	Intangible Assets
Years ending December 31:		
2026	$ 1,891	$ 58
2027	1,891	58
2028	1,892	58
2029	-	57
Total	$ 5,674	$ 231

Note 7. Long-Term Debt, Line of Credit and Letter of Credit

Long-term debt at December 31, 2025 and 2024, is as follows (in thousands):

	2025	2024
Term note payable, $12,250 with interest of 2.795% with a Term Secured Overnight Financing Rate (SOFR) - 1 Month plus 1.25% swap agreement, collateralized by certain real estate holdings and investment statement holdings. Requires monthly fixed principal and interest payments. Requires a final balloon payment of $8,488 in 2031.	$ 10,549	$ 10,927
Line of credit note payable, $24,000 with interest of Term SOFR - 1 Month plus 0.95% maturing February 26, 2026, collateralized by investments. Requires monthly interest-only payments. Requires a final balloon payment at maturity.	-	-
Total	10,549	10,927
Less current portion	(389)	(378)
Total long-term debt	$ 10,160	$ 10,549

Under the terms of the note payable and line of credit agreement, the University is subject to various covenants, including the requirement for the University to maintain certain financial ratios.

Note 7. Long-Term Debt, Line of Credit and Letter of Credit (Continued)

Aggregate debt maturities for the years ending December 31 are as follows (in thousands):

Years ending December 31:		
2026	$	389
2027		400
2028		411
2029		424
2030		437
Thereafter		8,488
Total	$	10,549

To hedge against interest rate risk on floating-rate debt, the University entered into an interest-rate swap (the Swap) with a major U.S. bank as the counterparty. The Swap has a declining notional value matching the outstanding term note principal over time. The University pays interest on the notional value at 2.795% and receives interest on the notional value at the floating SOFR - 1 Month plus 1.25%. The Swap matures in February 2031. During the year ended December 31, 2025, the fair value of the asset under the Swap decreased $456,000. During the year ended December 31, 2024, the fair value of the asset under the Swap increased $34,000. The change in value of the Swap has been reflected on the statement of activities. At December 31, 2025 and 2024, the fair value of the Swap asset was $897,000 and $1,353,000, respectively.

During 2019, the University entered into a standby letter of credit of $1,600,000 as required in an agreement for one of the campus real estate leases (see Note 9).

In 2024, the Letter of Credit was decreased by $320,000 to $1,280,000 in 2024 as accepted by the conditions of the lease. There were no amounts drawn on this letter during the year ended December 31, 2024.

In 2025, the Letter of Credit was decreased by $320,000 to $960,000 as accepted by the conditions of the lease. The letter of credit is set to expire on October 1, 2026. There were no amounts drawn on this letter during the year ended December 31, 2025.

Note 8. Endowment Funds

The State of Wisconsin adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The University's Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

- The duration and preservation of the fund
- The purpose of the University and the donor-restricted endowment fund

Note 8. Endowment Funds (Continued)

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

Endowment net asset composition by type of fund as of December 31, 2025 and 2024 (in thousands):

	2025	2024
	With Donor Restrictions	
Donor-restricted scholarships	$ 891	$ 774

Changes in endowment net assets as of December 31, 2025 and 2024 (in thousands):

	2025	2024
	With Donor Restrictions	
Endowment net assets, beginning	$ 774	$ 689
Net realized and unrealized gain on investments	96	61
Interest and dividends, net	21	24
Endowment net assets, ending	$ 891	$ 774

Return objectives and risk parameters: The University has adopted investment and spending polices, approved by the board of trustees, 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 these endowment assets over the long term. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity. Under these policies, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the various indices set in the investment policy, while assuming a moderate level of investment risk.

Strategies employed for achieving objectives: The University's spending and investment policies work together to achieve the return objectives. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 2%, net of investment fees. 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 targets a diversified asset allocation that places an emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

Note 8. Endowment Funds (Continued)

Spending policy and how the investment objectives relate to spending policy: The spending policy calculates the amount of money annually distributed from the University's various endowed funds for scholarships. The current spending policy is to distribute an amount not to exceed 5% of the endowment fund balance at the beginning of the year. Accordingly, over the long term, the University expects its current spending policy to allow its endowment assets to grow at an average rate of 2% annually. This is consistent with the University's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return. There were no investment appropriations in 2025 and 2024.

Note 9. Leases

The University enters into contracts to lease real estate and various equipment. The University's most significant operating lease liabilities relate to 12 real estate leases for their University campuses in Wisconsin, Florida, Louisiana, Minnesota, Georgia, and Tennessee. Certain leases include renewal or termination options.

ASC Topic 842 includes a number of reassessment and re-measurement requirements for lessees based on certain triggering events or conditions, including whether a contract is or contains a lease, assessment of lease term and purchase options, measurement of lease payments, assessment of lease classification and assessment of the applicable discount rate. The University reviewed the reassessment and re-measurement requirements and identified a modification of lease term for the Atlanta, Georgia lease. The University executed an office lease agreement on December 29, 2025 in Irving, Texas, with a commencement date subsequent to fiscal year end; accordingly, no amounts were recognized in the fiscal year 2025 financial statements.

The components of lease expense and supplemental cash flow information related to leases for the years ended December 31, 2025 and 2024, are as follows (in thousands):

	2025	2024
Operating lease cost	$ 5,631	$ 4,507
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 6,345	$ 2,986
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 3,591	$ 3,989
Weighted-average remaining lease term—operating leases	7.20 years	6.99 years
Weighted-average discount rate—operating leases	2.92%	2.68%

Note 9. Leases (Continued)

Maturities of the University's operating lease liabilities are as follows (in thousands):

Years ending December 31:		
2026	$	5,180
2027		5,511
2028		5,483
2029		5,010
2030		4,615
Thereafter		10,072
Total lease payments		35,871
Less imputed interest		(3,994)
Present value of lease payments	$	31,877

The University has a standby letter of credit of $960,000 available as required in an agreement for one of the campus real estate leases (see Note 7).

Note 10. Contingencies

The University is involved in various legal proceedings incidental to the normal course of business. University management is of the opinion, based upon the advice of general counsel, that although the outcome of such litigation cannot be forecast with certainty, the final disposition should not have a material adverse effect on the University's financial position or results of operations.

Note 11. Employee Benefit Plans

The University has a 401(k) plan which covers all employees. Employees are eligible to participate and are eligible for match after 60 days of service. University contributions to the 401(k) plan are based on a formula and for 2025 and 2024 the University matches, at their discretion, 50% of the first 8% of personal contributions for employees who meet the service requirement. For the years ended December 31, 2025 and 2024, University contributions to the plan were $1,942,000 and $1,723,000, respectively.

The University has a nonqualified 457(b) deferred compensation plan for certain members of executive leadership. The assets held in this account are the property of the University and are subject to the claims of the general creditors. Contributions to the plan are invested under the direction of the individual qualified employee. The University accounts for the assets held by this plan as investments held for deferred compensation recorded in prepaid expenses and other with the related liability recorded in accrued compensation on the statements of financial position. At December 31, 2025 and 2024, the balances were $990,000 and $759,000, respectively. For the years ended December 31, 2025 and 2024, University contributions to the plan were $123,000 and $110,000, respectively.

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

Independent Auditor's Report

Board of Trustees
Herzing University, Ltd.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of Herzing University, Ltd. (the University), which comprise the University's statement of financial position as of December 31, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2026.

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

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

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

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

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

RSM US LLP

Chicago, Illinois
May 29, 2026

Herzing University, Ltd.

Audited Financial Statements
Years ended December 31, 2025 and 2024
(With Independent Auditor's Report Therein under
Government Auditing Standards)

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RSM US LLP

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

Independent Auditor's Report

Board of Trustees
Herzing University, Ltd.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of Herzing University, Ltd. (the University), which comprise the University's statement of financial position as of December 31, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 29, 2026.

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

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

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

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

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

RSM US LLP

Chicago, Illinois
May 29, 2026

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

Board of Trustees
Herzing University, Ltd.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Herzing University, Ltd.'s (the University) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended December 31, 2025. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

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Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance
We have audited the financial statements of the University as of and for the year ended December 31, 2025, and have issued our report thereon dated May 29, 2026, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Chicago, Illinois
June 12, 2026

Herzing University, Ltd.
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Agency/Pass-through Entity/Program or Cluster Title	Federal Assistance Listing Number (ALN)	Pass-Through Entity Identifying Number	Total Federal Expenditures
STUDENT FINANCIAL ASSISTANCE (SFA) CLUSTER			
U.S. Department of Education			
Federal Supplemental Educational Opportunity Grants	84.007	-	$ 1,313,387
Federal Work-Study Program	84.033	-	994,188
Federal Perkins Loan Program, Beginning Balance	84.038	-	284,357
Federal Pell Grant Program	84.063	-	44,579,496
Federal Direct Student Loans	84.268	-	157,117,133
Total U.S. Department of Education SFA Cluster			**204,288,561**
U.S. Department of Health and Human Services (HHS)			
Nursing Student Loans, Beginning Balance	93.364	-	1,528,585
Nursing Student Loans, New Loans	93.364	-	5,823
Total Nursing Student Loans			**1,534,408**
Nurse Faculty Loan Program, Beginning Balance	93.264	-	562,785
Nurse Faculty Loan Program, New Loans	93.264	-	58,366
Total Nurse Faculty Loan Program			**621,151**
Total HHS Student Financial Assistance Cluster			**2,155,559**
TOTAL STUDENT FINANCIAL ASSISTANCE (SFA) CLUSTER			**206,444,120**
U.S. Department of Education			
Higher Education Institutional Aid	84.031L	-	369,173
Higher Education Institutional Aid	84.031S	-	245,995
Total Higher Education Institutional Aid			**615,168**
Child Care Access Means Parents in School Program	84.335A	-	280,760
Fund for the Improvement of Post Secondary Education	84.116G	-	158,737
Total U.S. Department of Education - Non-SFA Cluster			**1,054,665**
U.S. Department of Health and Human Services (HHS)			
Health Resources and Services Administration (HRSA) Grants			
Mental and Behavioral Health Education and Training Grants	93.732	-	287,630
Total HHS - Non-SFA Cluster			**287,630**
U.S. Department of Labor			
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280	-	232,247
Total U.S. Department of Labor			**232,247**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 208,018,662**

See notes to the schedule of expenditures of federal awards.

Herzing University, Ltd.

Notes to Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Herzing University, Ltd. (the University) under programs of the federal government for the year ended December 31, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University. No funds were identified as having been provided to subrecipients by the University and, accordingly, no funds identified in the schedule of expenditures of federal awards are attributable to subrecipient entities. There were no federal awards expended for non-cash assistance or insurance at year-end.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Indirect Cost Rate

The University has elected to use the 15% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Federal Student Loan Programs

During the fiscal year ended December 31, 2025, the University issued new loans to students under the Federal Direct Student Loan Program (FDLP). The loan program includes subsidized and unsubsidized Stafford Loans, Parents' Loans for Undergraduate Students (PLUS) and PLUS Loans for graduate and professional students. The value of loans issued for the FDLP is based on disbursed amounts. The loan amounts issued during the year are disclosed on the Schedule. The University is responsible only for the performance of certain administrative duties with respect to the federally guaranteed student loan programs and, accordingly, balances and transactions relating to these loan programs are not included in the University's basic financial statements. Therefore, it is not practicable to determine the balance of loans outstanding to students and former students of the University at December 31, 2025.

The federal student loan programs listed subsequently are administered directly by the University, and balances and transactions relating to these programs are included in the University's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at December 31, 2025 consists of:

Assistance Listing Number	Program Name	Outstanding Balance at December 31, 2025
84.038	Federal Perkins Loan Program	$ 3,540
93.364	Nursing Student Loans	1,100,426
93.264	Nurse Faculty Loan Program	630,813

Herzing University, Ltd.

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? __ Yes _X_ No

Significant deficiency(ies) identified? __ Yes _X_ None reported

Noncompliance material to financial statements noted? __ Yes _X_ No

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified? __ Yes _X_ No

Significant deficiency(ies) identified? __ Yes _X_ None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? __Yes _X_ No

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Educational Opportunity Grants
84.033	Federal Work-Study Program
84.038	Federal Perkins Loan Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans
93.364	Nursing Student Loans
93.264	Nurse Faculty Loan Program
84.031L	Higher Education Institutional Aid
84.031S	Higher Education Institutional Aid

Dollar threshold used to distinguish between type A and type B programs: $1,000,000

Auditee qualified as low risk auditee? _X_ Yes ___No

Section II. Financial Statement Findings

No matters were reported.

Section III. Federal Awards Findings and Questioned Costs

No matters were reported.

HERZING UNIVERSITY

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Herzing University, Ltd.
Summary Schedule of Prior Audit Findings
Year Ended December 31, 2025

Finding 2024-001 – Eligibility - SEOG

Herzing University did not properly award SEOG funding to an eligible student in the Fall 2024 semester. A student was eligible to receive SEOG funding but did not receive SEOG funds due to an employee error. For one out of 40 students tested for eligibility, we noted 1 student (2.5%) who was eligible to receive SEOG funding but did not receive SEOG funds due to an employee error.

Corrective Action Taken

On May 1, 2024, a Financial Aid Advisor manually cancelled the identified student's 2024-25 SEOG award in Regent (Herzing University's Financial Aid Management Software), with a notation that the student had an ineligible Student Aid Index (SAI). The student had an SAI of -117 on their 2024-25 ISIR, and in accordance with Herzing University's FSEOG policy were eligible for 2024-25 SEOG in the Fall 2024 semester. The award was incorrectly manually canceled by the advisor because of human error.

In April 2025, Herzing University created an internal compliance checkpoint for FSEOG awarding. This checkpoint will serve as a safety net to identify any students who have a Pell award for the Federal Award year, have an SAI that is FSEOG eligible according to Herzing University's FSEOG policy, and do not correctly have FSEOG packaged for the semester. Any affected students identified during the completion of this semester-based checkpoint will have their financial aid package reviewed and if necessary revised to include FSEOG funding for the applicable semester, prior to the end of the semester. This checkpoint was completed for the Spring 2025 semester on April 4, 2025, and will be completed each semester going forward. Herzing University's Policy Manual was updated in April 2025 to reflect the addition of the FSEOG Awarding compliance checkpoint.

For the identified student, Herzing University has provided a tuition waiver for the amount of the FSEOG funds that the student was eligible for and should have received for the Fall 2024 semester.

Finding 2024-002 – Eligibility - Pell

Herzing University did not properly award Pell funding to an eligible student in the Spring 2024 semester. A student was eligible to receive Pell funding but did not receive Pell funds due to an employee error. For one out of 40 students tested for eligibility, we noted 1 student (2.5%) who was eligible to receive Pell funding but did not receive Pell funds due to an employee error.

Corrective Action Taken

The identified student withdrew from the University on May 8, 2023. The student's 2023-24 Pell award was cancelled during the required R2T4 process that was completed on May 23, 2023. The 2023-24 Pell award for the Spring 2024 semester was not manually reinstated upon the student's return to an Active status on June 28, 2023. The employee who was responsible for updating the student's financial aid package upon the student's return to an Active status erroneously neglected to reinstate the 2023-24 Pell award for the Spring 2024 semester. This finding is attributed to human error.

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Herzing is a private nonprofit university dedicated to changing lives through career-focused education.

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In April 2025, Herzing University created an internal compliance checkpoint for Pell awarding. This checkpoint will identify any students with a Pell eligible SAI for the Federal Award year that do not have Pell packaged for the semester. This checkpoint was completed for the Spring 2025 semester on April 7, 2025, and will be completed each semester going forward. Any affected students identified during the completion of this semester-based checkpoint will have their financial aid package revised to include Pell funding for the applicable semester, prior to the end of the semester. Herzing University's Policy Manual was updated in April 2025 to reflect the addition of the Pell Awarding compliance checkpoint.

For the identified student, Herzing University has provided a tuition waiver for the amount of the Pell funds that the student was eligible for and should have received for the Spring 2024 semester.

The corrective actions related to finding 2024-001 and 2024-002 were completed in fiscal year 2025.

The person responsible for completion of the corrective action was Kevin McShane, Vice President of Financial Aid & Compliance.

Kevin McShane

1/8/2026
Date

Vice President of Financial Aid & Compliance
Herzing University
275 W. Wisconsin Ave., Ste. 210
Milwaukee, WI 53203
Email Address: kmcshane@herzing.edu

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