



## THE MASTER'S UNIVERSITY AND SEMINARY AND SUBSIDIARY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2024 and 2023

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	8

## **INDEPENDENT AUDITORS' REPORT**

Board of Trustees  
The Master's University & Seminary and Subsidiary  
Santa Clarita, California

### ***Opinion***

We have audited the accompanying consolidated financial statements of The Master's University & Seminary and Subsidiary, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Master's University & Seminary and Subsidiary as of June 30, 2024 and 2023, 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of The Master's University & Seminary and Subsidiary and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Master's University and Seminary & Subsidiary's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Master's University & Seminary and Subsidiary'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.

*Capin Crouse LLP*

Woodland Hills, California  
October 9, 2024

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Consolidated Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 20,046,567	\$ 11,768,734
Accounts receivable, net of allowance for credit (losses of \$70,000 and \$60,000, respectively)	473,281	357,378
Notes receivable, current portion (Note 4)	212,471	222,774
Bequest receivable	-	3,563,636
Property purchase deposit	7,500,000	1,500,000
Prepays and other assets	2,069,255	2,017,951
Assets held for sale	1,889,109	-
	<u>32,190,683</u>	<u>19,430,473</u>
Assets held for investment	4,140,381	3,850,381
Notes receivable, net of current portion (Note 4)	705,839	948,657
Investments (Note 5)	51,055,363	42,700,284
Board designated investments (Note 5)	1,068,666	5,593,772
Future interest in split interest agreement (Note 7)	-	8,001,943
Cash restricted by donors for capital projects	2,347,173	485,549
Land, buildings, and equipment, net (Note 9)	93,464,375	81,910,919
Financing lease—right-of-use-assets (Note 10)	3,530,181	3,762,451
	<u>188,502,661</u>	<u>166,684,429</u>
<b>Total Assets</b>	<u>\$ 188,502,661</u>	<u>\$ 166,684,429</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,963,551	\$ 3,562,344
Accrued payroll and benefits	1,002,489	836,479
Deferred revenue and other deposits	4,668,118	5,000,860
Finance lease—right-of-use-obligations, current portion	77,953	78,331
Debt instruments payable, current portion (Note 11)	1,039,923	726,782
	<u>9,752,034</u>	<u>10,204,796</u>
Finance lease—right-of-use-obligations, net of current portion	108,298	184,519
Debt instruments payable, net of current portion (Note 11)	32,615,333	33,887,986
Due to annuitants	5,394,520	3,918,986
Due to trustors and other remaindermen under trust agreements	252,802	-
	<u>48,122,987</u>	<u>48,196,287</u>
Net assets (Note 12):		
Without donor restrictions	64,891,802	55,009,009
With donor restrictions	75,487,872	63,479,133
<b>Total net assets</b>	<u>140,379,674</u>	<u>118,488,142</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 188,502,661</u>	<u>\$ 166,684,429</u>

See notes to consolidated financial statements

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Consolidated Statements of Activities

Year Ended June 30,						
2024			2023			
Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	
<b>OPERATING REVENUES AND RECLASSIFICATIONS:</b>						
Student tuition and fees-net	\$ 32,710,623	\$ -	\$ 32,710,623	\$ 29,288,766	\$ -	\$ 29,288,766
Auxiliary enterprises	13,683,015	-	13,683,015	13,703,082	-	13,703,082
Gifts and private grants	4,229,381	26,341,017	30,570,398	1,234,395	18,006,316	19,240,711
Contributed land, buildings, and equipment	316,002	-	316,002	2,303,550	-	2,303,550
Federal grants for student aid	150,586	-	150,586	155,391	-	155,391
Other income	1,114,802	-	1,114,802	1,047,660	-	1,047,660
Net assets released from restrictions	10,266,358	(10,266,358)	-	10,051,560	(10,051,560)	-
Total Operating Revenue and Reclassifications	<u>62,470,767</u>	<u>16,074,659</u>	<u>78,545,426</u>	<u>57,784,404</u>	<u>7,954,756</u>	<u>65,739,160</u>
<b>OPERATING EXPENSES:</b>						
Program expenses:						
Instruction	19,751,526	-	19,751,526	18,168,578	-	18,168,578
Student services	11,937,551	-	11,937,551	11,402,225	-	11,402,225
Academic support	4,039,223	-	4,039,223	3,695,414	-	3,695,414
Auxiliary enterprises	14,220,676	-	14,220,676	14,120,995	-	14,120,995
Total program expenses	49,948,976		49,948,976	47,387,212		47,387,212
Institutional support	12,089,306	-	12,089,306	9,520,923	-	9,520,923
Total Operating Expenses	<u>62,038,282</u>	<u>-</u>	<u>62,038,282</u>	<u>56,908,135</u>	<u>-</u>	<u>56,908,135</u>
Change in Net Assets from Operations	<u>432,485</u>	<u>16,074,659</u>	<u>16,507,144</u>	<u>876,269</u>	<u>7,954,756</u>	<u>8,831,025</u>

(continued)

See notes to consolidated financial statements

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Consolidated Statements of Activities (continued)

	Year Ended June 30,					
	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OTHER CHANGES IN NET ASSETS:						
Investment income	1,361,688	3,903,242	5,264,930	711,013	2,798,745	3,509,758
Net change in split interest agreements	(224,795)	344,253	119,458	25,621	3,954,162	3,979,783
Net assets released:						
Capital expenditures	8,313,415	(8,313,415)	-	6,923,741	(6,923,741)	-
Total Other Changes in Net Assets	9,450,308	(4,065,920)	5,384,388	7,660,375	(170,834)	7,489,541
Change in Net Assets	9,882,793	12,008,739	21,891,532	8,536,644	7,783,922	16,320,566
Net Assets, Beginning of Year	55,009,009	63,479,133	118,488,142	46,472,365	55,695,211	102,167,576
Net Assets, End of Year	\$ 64,891,802	\$ 75,487,872	\$ 140,379,674	\$ 55,009,009	\$ 63,479,133	\$ 118,488,142

See notes to consolidated financial statements

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 21,891,532	\$ 16,320,566
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	5,276,381	4,641,364
Amortization of bond premium	(202,729)	(211,239)
Change in value in future interest in split interest agreement	-	(3,535,106)
Contributed land, buildings, and equipment	(316,002)	(2,303,550)
Unrealized and realized gains on securities	(4,640,007)	(2,795,847)
Notes receivable forgiven	183,000	167,773
Loss on sale of land, buildings, and equipment	93,376	-
Contributions restricted for land, buildings, equipment, and endowments	(16,817,824)	(6,872,269)
Gift portion of new bequest	-	(3,563,636)
Actuarial change in annuities	653,131	147,515
Change in due to trustors and other remaindermen under trust agreements	252,802	(115,486)
Changes in operating assets and liabilities:		
Accounts receivable, net	(115,903)	2,245,933
Bequest receivable	3,563,636	-
Prepays and other assets	(51,304)	(47,348)
Accounts payable and accrued expenses	(654,250)	855,251
Accrued payroll and benefits	166,010	(2,702)
Deferred revenue and other deposits	(332,742)	852,493
Net Cash Provided by Operating Activities	<u>8,949,107</u>	<u>5,783,712</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of investments	13,898,963	4,741,332
Donated assets held for investment	(290,001)	-
Property purchase deposit	(6,000,000)	(1,500,000)
Purchase of investments	(5,266,986)	(9,266,761)
Payments received on notes receivable	70,121	197,428
New notes receivable issued	-	(275,000)
Fixed asset additions	(18,028,592)	(12,450,038)
Annuitant payments	(246,372)	(279,570)
Net Cash Used in Investing Activities	<u>(15,862,867)</u>	<u>(18,832,609)</u>

(continued)

See notes to consolidated financial statements



# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Consolidated Statements of Cash Flows (continued)

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
New annuity agreements	1,500,000	130,000
Principal payments on debt instruments	(3,191,397)	(5,462,047)
Proceeds from new debt	2,434,614	6,137,000
Payments on financing lease obligations	(76,599)	(40,626)
Matured annuity agreements	(431,225)	(47,008)
Contributions restricted for land, buildings, equipment, and endowments	16,817,824	6,872,269
Net Cash Provided by Financing Activities	<u>17,053,217</u>	<u>7,589,588</u>
 Net Change in Cash, Cash Equivalents, and Restricted Cash	 10,139,457	 (5,459,309)
 Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	 <u>12,254,283</u>	 <u>17,713,592</u>
 Cash, Cash Equivalents, and Restricted Cash, End of Year	 <u><u>\$ 22,393,740</u></u>	 <u><u>\$ 12,254,283</u></u>
 <b>SUMMARY OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH:</b>		
Cash and cash equivalents	\$ 20,046,567	\$ 11,768,734
Cash restricted by donors for capital projects	<u>2,347,173</u>	<u>485,549</u>
	<u><u>\$ 22,393,740</u></u>	<u><u>\$ 12,254,283</u></u>
 <b>SUPPLEMENTAL INFORMATION AND NONCASH ITEMS:</b>		
Noncash transfer of investments related to split interest agreement	<u>\$ 8,001,943</u>	<u>\$ -</u>
 Cash paid for interest	<u>\$ 1,401,645</u>	<u>\$ 1,197,333</u>
 Noncash transfer of building and building improvements to assets held for sale	<u>\$ 1,889,108</u>	<u>\$ -</u>
 Land, buildings, and equipment, obtained through accounts payable	<u>\$ 55,457</u>	<u>\$ 737,011</u>
 Right-of-use assets obtained through financing obligations	<u>\$ -</u>	<u>\$ 250,627</u>

See notes to consolidated financial statements

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 1. NATURE OF ORGANIZATION:

The Master's University and Seminary (the Master's), formerly The Master's College and Seminary, formerly Los Angeles Baptist College, was incorporated in 1927 in California as a not-for-profit liberal arts college and seminary. On April 2, 2024, TMUS became an integrated auxiliary of Grace Community Church (the Church). The Master's Seminary offers undergraduate and graduate study programs, leading to degrees in divinity and theology, to national and international students.

The Church is a California not-for-profit religious corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and comparable state law. However, the Church is subject to federal income tax on any unrelated business taxable income. In addition, the Church is not classified as a private foundation within the meaning of Section 509(a) of the IRC. As an integrated auxiliary of the Church, The Master's is also exempt from federal and state taxes.

The Master's is accredited by the Western Association of Schools and Colleges Senior College and University Commission (WSCUC). Accreditation was reaffirmed on November 17, 2020, for a period of 6 years with a scheduled accreditation visit to occur in spring 2026.

The Masters' primary sources of income are from tuition and fees paid by students as well as donor contributions.

During the year ended June 30, 2022, MUSTANGRE#2 LLC was established as a subsidiary of the Master's. The entity exists to manage the commercial real estate holdings of Master's. As a subsidiary of the Master's, the entity is exempt from federal and state taxes.

### PRINCIPLES OF CONSOLIDATION

The reporting entity includes the Master's and the MUSTANGRE#2 LLC (collectively referred to as TMUS).

The financial statements of the MUSTANGRE#2 LLC are consolidated into the financial statements of the Master's because the Master's controls the entity through economic interest and control of the board.

All significant intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. A summary of significant accounting policies followed are described below to enhance the usefulness of the consolidated financial statements to the reader.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash on deposit, money market accounts, and commercial paper with original maturities of 90 days or less. These accounts may, at times, exceed federally insured limits. As of June 30, 2024 and 2023, the balances exceeded the federally insured limits by approximately \$21,848,000 and \$11,901,000, respectively. TMUS continually monitors all accounts, assessing any potential risks, and periodically re-balances its portfolio accordingly.

#### RESTRICTED CASH

Cash restricted for long-term purposes consists of contributions restricted for land, buildings, and equipment. TMUS has also entered into a bond agreement which required cash and cash equivalents be maintained in separate bank accounts. TMUS has complied with these requirements. During the year ended June 30, 2023, TMUS qualified for a provision within the existing agreement, which resulted in the release of the requirement for funds to be maintained in a separate bank account. However, if the bond falls below investment grade, the requirement must be reinstated.

#### INVESTMENTS AND BOARD DESIGNATED INVESTMENTS

Investments and board designated investments consist primarily of money market funds, equities, mutual funds, bonds, real estate investment trusts, and private equities and alternative investments. Money market funds, equities, mutual funds, bonds, real estate investment trusts, and private equities are carried at fair value, which is based upon quoted market prices, or at the net asset value of the underlying investments. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. Realized and unrealized gains and losses are reported as without donor restriction investment income in the consolidated statements of activities unless restricted by the donor. Donated securities are recorded at fair value on the date of the gift and thereafter carried in accordance with the above provisions.

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the value of TMUS's investments and total net assets balance could fluctuate materially.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ACCOUNTS AND NOTES RECEIVABLE

Accounts and notes receivable are comprised of amounts owed by students for tuition and fees, notes from employees consisting of loans for relocation and housing assistance and collateralized by real property in southern California, unsecured notes from faculty and staff members, and other miscellaneous receivables. Accounts and notes receivable are reported net of any anticipated losses due to expected credit losses. TMUS's policy for determining when receivables are past due or delinquent is after a student misses three payments. The allowance for credit losses is maintained at a level which, in management's judgment, is adequate to absorb potential losses inherent in the receivable portfolio. The amount of the allowance is based on management's evaluation of the collectability of the receivable portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired notes, and current and future economic conditions. Allowances for impaired notes receivable are generally determined based on collateral values or the present value of estimated cash flows.

For the years ended June 30, 2024 and 2023, the allowance for credit losses were \$70,000 and \$60,000, respectively. TMUS does not assess finance charges against student receivables, but charges a monthly late payment fee of \$70. Once a student is no longer enrolled and has failed to make the required payments, the account is placed on nonaccrual status, assigned to a collection agency, and written off against the allowance.

#### BEQUEST RECEIVABLE

TMUS was named as a recipient in the estate of a donor during the year-ended June 30, 2023. As of June 30, 2024, the assets had been transferred to TMUS.

#### PROPERTY PURCHASE DEPOSIT

TMUS entered into an agreement with the Church to purchase a property located in close proximity to TMUS' primary campus. In order to secure future purchase rights to the property, which is intended to be used for future campus expansion, TMUS paid refundable deposits toward the purchase price. The Church is obligated to obtain proper zoning and entitlement for TMUS in order to retain these deposits. If the Church is unable to obtain permitting, TMUS has the right of cancellation on the purchase agreement.

#### PREPAIDS AND OTHER ASSETS

Prepays and other assets consist of inventory, prepaid expenses, and cash value of life insurance policies. Bookstore inventory is valued at the lower of cost or net realizable value. It is accounted for on a first-in, first-out basis. Inventory represents new and used books and supplies for resale in the bookstore.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### ASSETS HELD FOR SALE AND ASSETS HELD FOR INVESTMENT

TMUS has been the recipient of several charitable gifts of property since 2017. As of June 30, 2024, the assets remaining include five rare violins and two residential properties. In conjunction with several of the contributions, an annuity was established on behalf of the donor. Upon the termination of the life interest in the annuity, the residual value will be added to an existing scholarship endowment. During the year ended June 30, 2024, TMUS also purchased two additional violins for the purpose of enhancing the value and marketability of the collection for a total of \$180,000. The assets held for investment are held at carrying value. TMUS entered escrow to sell a property for approximately \$1,900,000. The asset was moved from fixed assets to assets held for sale as of June 30, 2024, and sold in July 2024.

Also see the Deferred Giving Programs section in Note 2 below.

#### LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are carried at cost or, if donated, at fair value on the date of the gift. Maintenance and repairs are charged as current expenses. Expenditures in excess of \$2,500 for land, buildings, and equipment acquired for use for more than one year are capitalized at cost.

Depreciation and amortization on buildings and equipment are based upon the estimated useful lives of the assets and are computed using the straight-line method. The ranges of useful lives are from 25 to 50 years for buildings and from 3 to 10 years for equipment. The building under lease is amortized over 50 years (see Note 10).

Contributions of cash restricted by the donor for acquiring or constructing property and equipment are reported as increases in net assets with donor restrictions. When the property and equipment are placed in service, TMUS reclassifies the net assets with donor restrictions to net assets without donor restrictions.

#### NET ASSETS

All financial transactions have been reported by net asset classification according to the presence or absence of donor-imposed stipulations. The consolidated financial statements report amounts by class of net assets:

*Net assets without donor restrictions* are those currently available at the discretion of the board for use in TMUS's operations or held for a specific use according to the board's direction, and net investment in land, buildings, and equipment.

*Net assets with donor restrictions* are those which are stipulated by donors for specific operating purposes, for future operations, or to be held in perpetuity as an endowed fund. This classification also includes TMUS's future interest in split interest agreements, which are restricted by expiration of a time restriction.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### NET ASSETS, continued

All contributions are considered available for unrestricted use, unless specifically restricted by the donor. TMUS records contributions as donor restricted if they are received with donor stipulations that limit their use either through purpose or time restrictions, or both. When donor restrictions expire, that is, when the purpose restriction is fulfilled or the time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

#### SUPPORT, REVENUE, AND EXPENSES

Student tuition and fees are recorded as revenue in the period during which the academic services are rendered. Student tuition and fees received prior to when services are rendered are recorded as deferred revenue. Revenue from these deposits are recognized in the year when earned. Traditional school terms end prior to fiscal year-end. For non-traditional programs, revenue is pro-rated between fiscal years using a straight-line proportional method.

	June 30,	
	2024	2023
Student tuition and fees	\$ 56,413,053	\$ 48,467,178
Less institutional scholarships and grants	(23,702,430)	(19,178,412)
Student tuition and fees-net	<u>\$ 32,710,623</u>	<u>\$ 29,288,766</u>

Gifts are recognized as revenue in the period the contribution or unconditional promises-to-give are received and are reported as increases in the appropriate category of net assets.

All other income is recorded when earned. Expenses of TMUS are recorded when incurred, in accordance with the accrual basis of accounting. All expenses are reported as reductions in net assets without donor restrictions.

#### CONTRIBUTED SERVICES

Accounting standards for revenue recognition requires recording the value of donated services that create or enhance non-financial assets or require specialized skills that TMUS would otherwise pay for. Many volunteers have contributed significant amounts of their time to activities of TMUS. However, since the above requirements were not met, the value of the contributed services is not recorded in the consolidated financial statements.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### DEFERRED GIVING PROGRAMS

Gift Annuities: TMUS has a gift annuity plan whereby donors may contribute assets to TMUS in exchange for the right to receive a fixed-dollar annual return during their lifetimes. This transaction provides for a portion of the transfer to be considered a charitable contribution for income tax purposes.

The difference between the amount contributed for the gift annuity and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The liability for future payments is reported on the consolidated statements of financial position under the caption due to annuitants. The annuity liability is revalued annually based upon actuarially computed present values. The resulting actuarial gain or loss is included on the consolidated statements of activities under the caption net change in split interest agreements.

California law requires that California gift annuity assets be segregated from all other assets. California law also requires that no more than 50% of the assets for California gift annuities be invested in equity securities. TMUS is in compliance with these requirements (see Note 8).

Irrevocable Agreements: As trustee, TMUS administers irrevocable trusts, charitable remainder unitrusts, and charitable remainder annuity trusts. These trusts provide for the payment of lifetime distributions to the grantor or other designated beneficiaries. At the death of the lifetime beneficiaries, the trusts provide for the distribution of assets to designated parties.

The difference between the amount contributed and the liability for future payments, determined on an actuarial basis, is recognized as contribution income at the date of the gift. The difference between the assets in trust and the liabilities is reported on the consolidated statements of financial position as net assets with donor restrictions.

The present value of the expected payments to the trustors over their life expectancy is reported on the consolidated statements of financial position as a liability under the caption due to trustors and other remaindermen under trust agreements. The change in the amount of the liabilities, net of investment income, trustor payments, and terminations, is included on the consolidated statements of activities under the caption net change in split interest agreements.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued:

#### FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various program services and supporting activities have been summarized on a functional and natural basis in Note 15 to the consolidated financial statements. Accordingly, certain costs have been allocated among the program services and supporting activities as described in that note. Furthermore, there are no joint costs that have been allocated among the program services, general and administrative, and fundraising functions.

Program expenses of TMUS include funds spent for academic instruction and support, student services, and related auxiliary enterprises, as well as interest, depreciation, and plant costs attributable to program activities.

#### AUXILIARY ENTERPRISES

Auxiliary enterprises reflect activities such as bookstore, food service, summer facilities usage, short-term study trips, and dormitory operations. Income from auxiliary enterprises is recorded when earned.

#### USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### ADVERTISING

Direct advertising expense was approximately \$766,000 and \$553,000, for the years ended June 30, 2024 and 2023, respectively. Advertising costs are used to promote TMUS and are expensed as incurred.

#### RECENTLY ADOPTED ACCOUNTING STANDARD

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Student accounts receivable and notes receivable are the only financial assets held by TMUS that is subject to the guidance in FASB ASC 326.

TMUS adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.



# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects TMUS's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position.

	June 30,	
	2024	2023
Financial Assets:		
Cash and cash equivalents	\$ 22,393,740	\$ 12,254,283
Accounts receivable, net	473,281	357,378
Notes receivable	918,310	1,171,431
Bequest receivable	-	3,563,636
Investments	51,055,363	42,700,284
Board designated investments	1,068,666	5,593,772
Future interest in split interest agreement	-	8,001,943
Total Financial Assets	75,909,360	73,642,727
Less those unavailable for general expenditure within one year:		
Cash restricted by donors for capital projects	(2,347,173)	(485,549)
Notes receivable collectible beyond one year	(705,839)	(948,657)
Perpetual endowments	(50,281,382)	(37,166,712)
Investments held in trust and state required annuity reserves	(5,647,322)	(3,918,986)
Bequest receivable	-	(3,563,636)
Future interest in split interest agreement	-	(8,001,943)
Board designated endowments	(1,068,666)	(5,593,772)
Financial assets available to meet current general expenditures	\$ 15,858,978	\$ 13,963,472

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS, continued:

The table reflects the financial assets of TMUS, as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, required by the state as annuity reserves, held in trust, held for others, subject to endowment spending policy (net of appropriations within one year), or designated by the Board of Trustees as a reserve or long-term investment as board designated endowments. Board designated funds may be drawn upon for general expenditure with approval of the board. TMUS structures its financial assets to be available as its general expenditures and current obligations come due.

As described in Note 11, TMUS has access to a line of credit with a bank in the amount of \$5,000,000 and an \$11,000,000 margin line of credit with the custodial brokerage for its endowed investments. The remaining undrawn amounts for the lines of credit are \$5,000,000 and \$1,500,000, respectively.

### 4. NOTES RECEIVABLE:

Notes receivable consist of:

	June 30,	
	2024	2023
Notes from certain faculty and staff, consisting of loans for relocation and housing assistance, collateralized by real property in southern California, generally non-interest bearing, due upon the earliest of the sale of the property or termination of employment. When the property is sold, TMUS shares in the appreciation of the property equal to the ratio of the original note receivable amount to the purchase price of the property.	\$ 375,464	\$ 375,464
Notes from faculty and staff members, unsecured, payment over 5-10 years bearing interest at rates between 0.58% and 4.45%	495,852	751,082
Note from a faculty member, secured by a violin, with monthly principal and interest payments of \$479, bearing interest at 4% and maturing June 1, 2034 (see Note 19).	46,994	44,885
	918,310	1,171,431
Less current portion	(212,471)	(222,774)
	<u>\$ 705,839</u>	<u>\$ 948,657</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

5. INVESTMENTS AND BOARD DESIGNATED INVESTMENTS:

Investments and board designated investments consist of:

	June 30,	
	2024	2023
Equities	\$ 36,378,288	\$ 28,764,797
Fixed income securities	6,397,070	3,620,159
Real estate investment trusts	2,514,978	3,166,534
Private equities	740,498	2,629,863
Privately held mutual funds (alternative investments)	1,142,326	1,254,103
Tax-free bonds	3,550,120	8,011,520
Cash and money market funds held for investment purposes	1,400,749	847,080
	<u>\$ 52,124,029</u>	<u>\$ 48,294,056</u>

6. FAIR VALUE MEASUREMENTS:

TMUS uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, TMUS measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

The fair values of equities are based on quoted market prices, when available.

Level 2 Fair Value Measurements

The fair values of tax-free bonds and other fixed income securities (including corporate bonds, municipal bonds and other fixed income securities) are based on quoted market prices in markets that are not active or quoted prices for similar assets or liabilities in active markets.

Level 3 inputs are only used when Level 1 and Level 2 inputs are not available.

TMUS's investments are reported at cost, net asset value, and fair value in the accompanying consolidated statements of financial position.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 6. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2024:				
Equities	\$ 36,378,288	\$ 36,378,288	\$ -	\$ -
Fixed income securities	6,397,070	-	6,397,070	-
Tax free bond	3,550,120	-	3,550,120	-
Investments reported at fair value	46,325,478	<u>\$ 36,378,288</u>	<u>\$ 9,947,190</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Privately held mutual funds (alternative investments)	1,142,326			
Real estate investment trusts	2,514,978			
Private equities	740,498			
Reconciling items at cost:				
Cash and money market accounts	1,400,749			
	<u>\$ 52,124,029</u>			

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 6. FAIR VALUE MEASUREMENTS, continued:

		Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	Fair Value			
June 30, 2023:				
Equities	\$ 28,764,797	\$ 28,764,797	\$ -	\$ -
Fixed income securities	3,620,159	-	3,620,159	-
Tax free bond	8,011,520	-	8,011,520	-
Investments reported at fair value	40,396,476	<u>\$ 28,764,797</u>	<u>\$ 11,631,679</u>	<u>\$ -</u>
Investments measured at net asset value (NAV):				
Privately held mutual funds (alternative investments)	1,254,103			
Real estate investment trusts	3,166,534			
Private equities	2,629,863			
Reconciling items at cost:				
Cash and money market accounts	847,080			
	<u>\$ 48,294,056</u>			
Future interest in split interest agreement	<u>\$ 8,001,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,001,943</u>

There were no changes in valuation techniques for the years ended June 30, 2024 and 2023.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 6. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category as of June 30, 2024.

Investment Category	Strategy	Fair Value Determined Using NAV	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Limited Partnerships	Generate superior, long-term return with less risk than the market	\$ 1,142,326	\$ 264,196	As called by general partner	By consent of general partner	Restricted by the availability of cash to meet the general obligations of the limited partnership	Normal consent of general partner
Real Estate Investment Trusts	Private infrastructure	2,514,978	-	N/A	Monthly redemptions are available at transactions price, which is generally equal to the prior month's NAV	Total repurchases are limited to 2% of aggregate NAV per month and 5% of aggregate NAV per calendar quarter	No additional restrictions than those already noted
Private Credit & Equities	Private credit & equities	740,498	372,665	One of the five private credit & equities funds is considered a draw down fund. The draw down is as called by general partner	Four of the five funds offer quarterly redemption privileges. Redemption privileges are not available for one fund until drawdown is complete	Targeting no more than 5% of Fund NAV per quarter via tender offer; subject to the discretion of the Fund's Board of Directors	No additional restrictions than those already noted
		<u>\$ 4,397,802</u>	<u>\$ 636,861</u>				

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 6. FAIR VALUE MEASUREMENTS, continued:

The following table lists investments in other investment companies (in partnership format) by major category as of June 30, 2023.

Investment Category	Strategy	Fair Value Determined Using NAV	Amount of Unfunded Commitments	Timing to Draw Down Commitments	Redemption Terms	Redemption Restrictions	Redemption Restrictions in Place at Year End
Limited Partnerships	Generate superior, long-term return with less risk than the market	\$ 1,254,103	\$ 298,325	As called by general partner	By consent of general partner	Restricted by the availability of cash to meet the general obligations of the limited partnership	Normal consent of general partner
Real Estate Investment Trusts	Private infrastructure	3,166,534	-	N/A	Monthly redemptions are available at transactions price, which is generally equal to the prior month's NAV	Total repurchases are limited to 2% of aggregate NAV per month and 5% of aggregate NAV per calendar quarter	No additional restrictions than those already noted
Private Credit & Equities	Private credit & equities	2,629,863	318,885	One of the five private credit & equities funds is considered a draw down fund. The draw down is as called by general partner	Four of the five funds offer quarterly redemption privileges. Redemption privileges are not available for one fund until drawdown is complete	Targeting no more than 5% of Fund NAV per quarter via tender offer; subject to the discretion of the Fund's Board of Directors	No additional restrictions than those already noted
		<u>\$ 7,050,500</u>	<u>\$ 617,210</u>				

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

7. FUTURE INTEREST IN SPLIT INTEREST AGREEMENT:

TMUS was the beneficiary of an irrevocable trust for which TMUS was not the trustee. The terms of the trust were fulfilled during the year ended June 30, 2024. The fair value of the trust is now recognized as an investment on the books of TMUS and is classified as an addition to net assets with donor restrictions due to the restrictions imposed by the donor. The donor restricted the principal and interest earned. The present value of the future interest was \$0 and \$8,001,943, as of June 30, 2024 and June 30, 2023, respectively.

8. ASSETS HELD FOR ANNUITANTS, TRUSTORS, AND ENDOWMENTS:

TMUS is holding a variety of assets for the benefit of annuitants and trustors and to fund endowments. These are included in the consolidated statements of financial position in the various accounts as described below.

Those assets are as follows:

	June 30,	
	2024	2023
Cash and cash equivalents	\$ -	\$ 284,230
Investments	6,296,334	6,796,384
Total held for annuitants and trustors	<u>\$ 6,296,334</u>	<u>\$ 7,080,614</u>
Investments	\$ 34,753,219	\$ 26,978,264
Land, buildings, and equipment	6,474,996	1,474,996
Annuities benefitting endowments, net	604,748	2,961,882
Assets held for investment - endowment portion	<u>1,469,480</u>	<u>1,469,480</u>
Total held in perpetuity for endowments	<u>\$ 43,302,443</u>	<u>\$ 32,884,622</u>

The assets held in perpetuity for endowments as of June 30, 2024 and 2023, include the purchase and renovation of an apartment complex (included above in land, buildings, and equipment) used as a dormitory. TMUS pays \$72,000 per year to the respective scholarship fund of the endowment funds for the usage of the apartment complex.



# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 9. LAND, BUILDINGS, AND EQUIPMENT, NET:

Land, buildings, and equipment, net, consist of:

	June 30,	
	2024	2023
Land and improvements	\$ 25,898,139	21,743,432
Buildings	79,398,613	69,848,335
Equipment	22,769,319	20,102,333
Library materials	6,667,238	6,501,706
	<u>134,733,309</u>	<u>118,195,806</u>
Less accumulated depreciation	(43,435,823)	(38,580,840)
Construction in progress	<u>2,166,889</u>	<u>2,295,953</u>
	<u><u>\$ 93,464,375</u></u>	<u><u>\$ 81,910,919</u></u>

### 10. FINANCING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS:

In 1997, to provide adequate space for the operations of its seminary, TMUS contracted with the Church to construct a building on the property of the Church. The building is used for the seminary classes, library, and faculty office space. Under the terms of the agreement, the Church constructed the property and holds title to it. The building is leased to TMUS on a 50-year term, with the rent paid in advance. The rent for the entire term of the lease is equal to the development and construction costs of the building. Therefore, TMUS has paid for all construction and development costs. TMUS will not pay any additional rent during the term of the lease. TMUS is responsible for maintenance and utilities on the building during the lease. TMUS is also responsible for leasehold improvements to the property. At the termination of the lease, the building remains the property of the Church. TMUS may extend the lease for 5 additional terms of 10 years each.

Due to the nature of the lease, in particular the long term, and because TMUS and the Church are related parties, the costs paid by TMUS have been classified on the consolidated statements of financial position in the financing—right-of-use assets section. The cost is being amortized over 50 years.

The University also leases office equipment under noncancelable financing lease arrangements expiring in November 2027. The discount rate represents the incremental borrowing rate using a period and asset comparable with that of the individual lease term on the inception date of the lease. Discount rates on these leases range from 3.00% to 5.00%. The leases require various monthly payments ranging between approximately \$1,000 and \$4,000. TMUS does not have operating leases.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 10. FINANCING LEASE—RIGHT-OF-USE ASSETS AND OBLIGATIONS, continued:

The effects of the finance leases on the consolidated financial statements were as follows as of June 30, 2024 and 2023, and for the years then ended:

	June 30,	
	2024	2023
Seminary lease right-of-use assets	\$ 3,343,071	\$ 3,504,084
Equipment lease right-of-use assets	187,110	258,367
Total right-of-use assets	<u>\$ 3,530,181</u>	<u>\$ 3,762,451</u>
Right-of-use liabilities	\$ 186,251	\$ 262,850
Financing lease costs:		
Amortization of right-of-use assets	\$ 232,270	\$ 249,830
Interest on lease liabilities	\$ 11,198	\$ 11,199
Weighted-average discount rate	4.88%	4.80%
Equipment lease weighted-average remaining lease term	2.97 years	3.64 years

Future minimum lease payments required under finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2025	\$ 74,012
2026	56,755
2027	56,755
2028	23,648
	<u>211,170</u>
Less amount representing interest	<u>(24,919)</u>
	<u>\$ 186,251</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 11. DEBT INSTRUMENTS PAYABLE:

Debt instruments payable consist of :

	June 30,	
	2024	2023
Series 2019 Bond issues, secured by Deed of Trust, principal and interest paid semi-annually at 5% fixed interest rate, with an effective interest rate of 4.5%. The bond matures in August 2048.	\$ 21,395,000	\$ 22,065,000
Margin line of credit with investment custodian. See discussion below.	9,500,000	9,500,000
Note payable with interest rate of 0%, amortized over 10 years with monthly principal payments of \$6,250, maturing in June 2031. Interest has not been imputed due to being immaterial.	538,462	615,385
Note payable, secured by apartment building, with interest rate of 4.0%, amortized over 25 years with monthly principal and interest payments of \$1,916, maturing in March 2025.	323,000	332,859
Total debt instruments payable	31,756,462	32,513,244
Less current portion	(1,039,923)	(726,782)
Less debt issuance costs	(456,843)	(475,383)
Plus unamortized bond premium	2,355,637	2,576,907
Long-term portion of debt instruments payable	<u>\$ 32,615,333</u>	<u>\$ 33,887,986</u>

Debt instruments payable will mature as follows:

<u>Year Ending June 30,</u>	
2025	\$ 1,039,923
2026	781,923
2027	821,923
2028	856,923
2029	896,923
Thereafter	<u>27,358,847</u>
	<u>\$ 31,756,462</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

11. DEBT INSTRUMENTS PAYABLE, continued:

TMUS was in compliance with all debt covenants as of June 30, 2024 and 2023.

TMUS has a revolving line of credit with a bank in the amount of \$5,000,000, as of June 30, 2024 and June 30, 2023. The bank line of credit expires on January 31, 2025, and is secured by real property. Interest is calculated based on the borrowing terms, 0.75% plus the prime rate announced by the lender (9.00% as of June 30, 2024 and 2023) or 1.85% and 1.85% as of June 30, 2024 and 2023, plus the greater of zero percent (0.00%) and the 1, 3, 6, or 12 month secured overnight financing rate (SOFR) rate (7.35% and 6.90% as of June 30, 2024 and June 30, 2023, respectively). Prime borrowings and SOFR borrowings were \$0 for the years ended June 30, 2024 and June 30, 2023.

TMUS has a margin line of credit with the custodial brokerage for its endowed investments in the amount of \$11,000,000 as of each of the years ended June 30, 2024 and 2023. The line of credit does not expire and is secured by margin on invested assets. Interest is calculated based on the borrowing terms, 0.85% plus the SOFR announced by the lender (6.35% and 6.10% as of June 30, 2024 and June 30, 2023, respectively). Borrowings were \$9,500,000 as of June 30, 2024 and June 30, 2023.

Interest expense is as follows:

	Year Ended June 30,	
	2024	2023
Interest incurred	\$ 1,608,379	\$ 1,393,334
Bond premium amortization	(221,270)	(229,779)
Debt issue costs amortization	18,540	18,540
Amortization expense	71,257	49,531
	<u>\$ 1,476,906</u>	<u>\$ 1,231,626</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. NET ASSETS:

Net assets without donor restrictions consist of:

	June 30,	
	2024	2023
Board designated as quasi-endowment	\$ 1,068,666	\$ 5,593,772
Undesignated	63,823,136	49,415,237
	<u>\$ 64,891,802</u>	<u>\$ 55,009,009</u>

Net assets with donor restrictions consist of:

	June 30,	
	2024	2023
Subject to Purpose Restrictions:		
Scholarship	\$ 21,057,082	\$ 12,908,808
Programs support and capital asset purchases	1,916,563	2,730,809
Fixed assets not yet placed in service	181,895	609,747
	<u>23,155,540</u>	<u>16,249,364</u>
Subject to Endowment Spending Policy:		
Accumulated unspent endowment gain	9,029,889	6,343,204
Future interest in split interest agreements	-	8,001,943
Endowed gifts restricted in perpetuity	43,302,443	32,884,622
	<u>52,332,332</u>	<u>47,229,769</u>
Total Net Assets With Donor Restrictions	<u>\$ 75,487,872</u>	<u>\$ 63,479,133</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 13. CONTRIBUTED NONFINANCIAL ASSETS:

TMUS has received donations of land, buildings, and equipment, to use in operations. Contributed nonfinancial assets are recorded as contributions revenue with a corresponding increase in fixed assets on the date of donation. TMUS estimates the fair value based on appraisals and market prices for similar assets. The value of contributed nonfinancial assets recorded in the consolidated financial statements consist of the following:

	June 30,	
	2024	2023
Buildings	\$ 316,002	\$ 1,350,000
Land	-	900,000
Equipment	-	53,550
Total	<u>\$ 316,002</u>	<u>\$ 2,303,550</u>

### 14. ENDOWMENTS:

TMUS' endowment consists of 44 individual funds established for a variety of purposes. As required by accounting principles generally accepted in the United States of America, 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.

The board of trustees of TMUS has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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, TMUS classifies as net assets with donor restrictions to be held in perpetuity (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 when the applicable donor gift instrument so specifies. The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity is classified as accumulated unspent net gain until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

14. ENDOWMENTS, continued:

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

1. The duration and preservation of the fund
2. The purposes of the organization 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 organization
7. The investment policies of the organization

Endowment net asset composition as of June 30, 2024:

	Board designated as quasi- endowment	Accumulated unspent net gain	Endowed gifts restricted in perpetuity	Total
Endowment net assets	<u>\$ 1,068,666</u>	<u>\$ 9,029,889</u>	<u>\$ 43,302,443</u>	<u>\$ 53,400,998</u>

Endowment net asset composition as of June 30, 2023:

	Board designated as quasi- endowment	Accumulated unspent net gain	Endowed gifts restricted in perpetuity	Total
Endowment net assets	<u>\$ 5,593,772</u>	<u>\$ 6,343,204</u>	<u>\$ 40,886,565</u>	<u>\$ 52,823,541</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

14. ENDOWMENTS, continued:

Changes in endowment net assets for year ended June 30, 2024:

	Board designated as quasi- endowment	Accumulated unspent net gain	Endowed gifts restricted in perpetuity	Total
Endowment net assets, June 30, 2023	<u>\$ 5,593,772</u>	<u>\$ 6,343,204</u>	<u>\$ 40,886,565</u>	<u>\$ 52,823,541</u>
Investment return:				
Investment income	123,020	1,447,566	-	1,570,586
Net gains (realized and unrealized)	<u>429,231</u>	<u>2,479,403</u>	<u>-</u>	<u>2,908,634</u>
	<u>552,251</u>	<u>3,926,969</u>	<u>-</u>	<u>4,479,220</u>
Contributions	-	820,830	2,312,824	3,133,654
Board-designated transfers in (out)	(5,077,357)	-	-	(5,077,357)
Amounts appropriated for expenditure	-	(2,061,114)	-	(2,061,114)
Other changes:				
Change in value of annuity	<u>-</u>	<u>-</u>	<u>103,054</u>	<u>103,054</u>
	<u>(5,077,357)</u>	<u>(1,240,284)</u>	<u>2,415,878</u>	<u>(3,901,763)</u>
Endowment net assets, June 30, 2024	<u>\$ 1,068,666</u>	<u>\$ 9,029,889</u>	<u>\$ 43,302,443</u>	<u>\$ 53,400,998</u>



# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 14. ENDOWMENTS, continued:

Changes in endowment net assets for year ended June 30, 2023:

	Board designated as quasi- endowment	Accumulated unspent net gain	Endowed gifts restricted in perpetuity	Total
Endowment net assets, June 30, 2022	<u>\$ 5,077,675</u>	<u>\$ 6,477,948</u>	<u>\$ 32,842,648</u>	<u>\$ 44,398,271</u>
Investment return:				
Investment income	133,480	794,253	-	927,733
Net gains (realized and unrealized)	<u>382,617</u>	<u>1,982,357</u>	<u>-</u>	<u>2,364,974</u>
	<u>516,097</u>	<u>2,776,610</u>	<u>-</u>	<u>3,292,707</u>
Contributions	-	94,940	4,182,468	4,277,408
Amounts appropriated for expenditure	-	(3,006,294)	-	(3,006,294)
Other changes:				
Other transfer for matured endowment	-	-	326,343	326,343
Change in value of future split interest	<u>-</u>	<u>-</u>	<u>3,535,106</u>	<u>3,535,106</u>
	<u>-</u>	<u>(2,911,354)</u>	<u>8,043,917</u>	<u>5,132,563</u>
Endowment net assets, June 30, 2023	<u><u>\$ 5,593,772</u></u>	<u><u>\$ 6,343,204</u></u>	<u><u>\$ 40,886,565</u></u>	<u><u>\$ 52,823,541</u></u>

#### *Funds with Deficiencies:*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires TMUS to retain as a fund of perpetual duration. When the investment income does not provide the normal level for scholarship distributions, TMUS will fund those scholarships from the without donor restrictions fund. No such deficiencies existed as of June 30, 2024 and 2023, respectively.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 14. ENDOWMENTS, continued:

#### *Return Objectives and Risk Parameters:*

TMUS 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 TMUS 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 an inflation adjusted income stream to grow the corpus above the inflation rate. TMUS expects its endowment funds, over time, to provide an average rate of return of approximately 6.5% annually. Actual returns in any given year may vary from this amount.

#### *Strategies Employed for Achieving Objectives:*

To satisfy its long-term rate-of-return objectives, TMUS 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). TMUS targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### *Spending Policy and How the Investment Objectives Related to Spending Policy:*

TMUS has a policy of appropriating for distribution each year 5% percent of its endowment fund's average fair value over the three previous calendar year ends. In establishing this policy, TMUS considered long-term expected return on its endowment. Accordingly, over the long-term, TMUS expects the current spending policy to allow its endowment to grow at an average of 1.5% annually. This is consistent with TMUS's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

### 15. FUNCTIONAL ALLOCATION OF EXPENSES:

Expenses incurred in the current year were spent in the following categories:

	Year Ended June 30,	
	2024	2023
Program Services	\$ 49,948,976	\$ 47,387,212
Supporting Activities:		
General and administrative	7,706,000	6,528,536
Fundraising	4,383,306	2,992,387
	<u>\$ 62,038,282</u>	<u>\$ 56,908,135</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

15. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

The following matrix displays the natural expense classifications by functional expense area for the year ended June 30, 2024.

	Program Activities				Supporting Activities				Total Supporting Activities	Total Expense
	Academic Support & Instruction	Student Services	Auxiliary Enterprises	Total Program Activities	Administration	Fundraising	Facilities Operation & Maintenance	IT Operations		
Salaries and wages	\$ 13,455,790	\$ 4,901,434	\$ 2,258,242	\$ 20,615,466	\$ 3,522,984	\$ 1,972,034	\$ 1,239,097	\$ 1,529,626	\$ 8,263,741	\$ 28,879,207
Employee benefits	3,177,456	1,164,543	464,973	4,806,972	1,768,337	289,582	320,193	285,842	2,663,954	7,470,926
General operating	3,020,864	3,164,441	4,251,081	10,436,386	1,386,438	1,921,552	238,038	963,339	4,509,367	14,945,753
Occupancy	324,348	162,407	962,971	1,449,726	(128,871)	(320,795)	2,978,778	10,271	2,539,383	3,989,109
Depreciation & amortization	1,476,640	624,615	2,706,664	4,807,919	260,256	104,102	52,051	52,053	468,462	5,276,381
Interest	398,764	177,229	767,991	1,343,984	73,845	29,538	14,769	14,770	132,922	1,476,906
	<u>21,853,862</u>	<u>10,194,669</u>	<u>11,411,922</u>	<u>43,460,453</u>	<u>6,882,989</u>	<u>3,996,013</u>	<u>4,842,926</u>	<u>2,855,901</u>	<u>18,577,829</u>	<u>62,038,282</u>
Allocation of Facilities	1,356,019	581,151	2,518,321	4,455,491	242,146	96,860	(4,842,926)	48,429	(4,455,491)	-
Allocation of IT Operations	580,868	1,161,731	290,433	2,033,032	580,865	290,433	-	(2,904,330)	(2,033,032)	-
Total Expense	<u>\$ 23,790,749</u>	<u>\$ 11,937,551</u>	<u>\$ 14,220,676</u>	<u>\$ 49,948,976</u>	<u>\$ 7,706,000</u>	<u>\$ 4,383,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,089,306</u>	<u>\$ 62,038,282</u>

The following matrix displays the natural expense classifications by functional expense area for the year ended June 30, 2023.

	Program Activities				Supporting Activities				Total Supporting Activities	Total Expense
	Academic Support & Instruction	Student Services	Auxiliary Enterprises	Total Program Activities	Administration	Fundraising	Facilities Operation & Maintenance	IT Operations		
Salaries and wages	\$ 12,291,201	\$ 4,679,362	\$ 2,087,997	\$ 19,058,560	\$ 2,660,317	\$ 1,338,307	\$ 1,135,438	\$ 1,511,489	\$ 6,645,551	\$ 25,704,111
Employee benefits	2,696,234	1,070,778	375,958	4,142,970	1,348,849	207,824	287,597	279,788	2,124,058	6,267,028
General operating	2,857,285	3,158,821	4,874,990	10,891,096	1,290,354	932,463	225,543	879,600	3,327,960	14,219,056
Occupancy	593,443	120,869	1,069,874	1,784,186	147,290	25,165	2,866,801	21,508	3,060,764	4,844,950
Depreciation & amortization	1,239,797	551,020	2,387,752	4,178,569	279,123	91,837	45,918	45,917	462,795	4,641,364
Interest	345,912	153,739	666,201	1,165,852	14,527	25,623	12,812	12,812	65,774	1,231,626
	<u>20,023,872</u>	<u>9,734,589</u>	<u>11,462,772</u>	<u>41,221,233</u>	<u>5,740,460</u>	<u>2,621,219</u>	<u>4,574,109</u>	<u>2,751,114</u>	<u>15,686,902</u>	<u>56,908,135</u>
Allocation of Facilities	1,280,751	548,893	2,378,537	4,208,181	228,705	91,482	(4,574,109)	45,741	(4,208,181)	-
Allocation of IT Operations	559,369	1,118,743	279,686	1,957,798	559,371	279,686	-	(2,796,855)	(1,957,798)	-
Total Expense	<u>\$ 21,863,992</u>	<u>\$ 11,402,225</u>	<u>\$ 14,120,995</u>	<u>\$ 47,387,212</u>	<u>\$ 6,528,536</u>	<u>\$ 2,992,387</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,520,923</u>	<u>\$ 56,908,135</u>

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

15. FUNCTIONAL ALLOCATION OF EXPENSES, continued:

*Description of the methods used to allocate costs among program and support functions*

TMUS assigns costs directly to the appropriate function whenever possible. However, certain costs are attributable to one or more programs or supporting functions and thus must be allocated to expense. These costs include depreciation and amortization, interest, information technology, and facilities operations and maintenance. Depreciation, interest, and facilities operations and maintenance costs were allocated based on usage of space. Information technology costs were allocated based on estimates of time and effort.

16. RETIREMENT:

TMUS has in effect a contributory retirement plan through the Teachers Insurance and Annuity Association (TIAA) for all employees who elect to participate. Participants may contribute any percent of their covered salary up to the legal limit with TMUS contributing up to 6% (Seminary) or 4% (University) according to an employer contribution formula. All contributions are fully vested when paid. TMUS's contribution was approximately \$824,000 and \$744,000, during the years ended June 30, 2024 and 2023, respectively.

17. STUDENT FINANCIAL ASSISTANCE PROGRAM COMMITMENTS:

TMUS participates in the delivery of student financial aid programs administered by the Department of Education and California Student Aid Commission. The related activity is subject to audit both by independent certified public accountants and by representatives of the administering agencies regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated financial position or result of activities of TMUS.

18. CONCENTRATION:

For the years ended June 30, 2024 and 2023, a trust controlled by the Chancellor, who was also a board member during the years ended June 30, 2024 and 2023, gave 24% and 11%, of total revenue, respectively.

# THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 19. RELATED PARTIES:

Several members of TMUS's board of trustees act in a similar capacity on the governing boards of other organizations, including the Church and Grace to You. See Note 10 for discussion of a lease between the Church and TMUS.

Classes for TMUS's Seminary are held at the Church facilities. TMUS reimburses the Church for use of the Church's facilities, maintenance, and custodial support for the seminary building, information technology, and print production support. TMUS paid the Church approximately \$1,900,000 and \$1,200,000 for the years ended June 30, 2024 and 2023, respectively. Included in the consolidated statements of financial position are amounts TMUS owed the Church totaling approximately \$120,000 and \$380,000 related to reimbursements payable as of the years ended June 30, 2024 and 2023, respectively. During the year ended June 30, 2023, TMUS committed to reimburse approximately \$900,000 to the Church for improvements made by the Church to the building used by TMUS's Seminary. During the year ended June 30, 2024, the committed amount was paid in full. The Church also paid tuition to TMUS for student interns taking Seminary classes. Amounts paid to TMUS were approximately \$206,000 and \$160,000 for the years ended June 30, 2024 and 2023, respectively.

During the years ended June 30, 2024 and 2023, TMUS paid the Church \$6,000,000 and \$1,500,000, respectively, as an escrow deposit for the purchase of real property. As of the date the consolidated financial statements were available to be issued, the sale of the property has not yet closed.

In June 2023, TMUS signed a two year contract for marketing services with an entity owned by a family member of the Chancellor who was also a board member during the years ended June 30, 2023 and 2024. The family member is also the president of the trust mentioned in Note 18. During the years ended June 30, 2024 and 2023, TMUS paid that entity approximately \$472,000 and \$365,000, respectively, for marketing services. For the years ended June 30, 2024 and 2023, that trust contributed to TMUS approximately \$18,945,000 and \$8,140,000, respectively.

During the year ended June 30, 2020, a professor of TMUS purchased a violin for \$322,500 that was held for sale by TMUS. The professor had donated this violin to TMUS during the year ended June 30, 2017 as part of the establishment of a gift annuity for the professor/donor. The initial payment for the violin was in the form of another violin valued at \$150,000. The remaining balance of the purchase consisted of a note in favor of TMUS which is to be paid over five years at an interest rate of 4%. During the year ended June 30, 2023, the professor made a payment on the note receivable with gold, which was received and subsequently sold by TMUS to a gold exchange in Colorado for \$198,230. The payment was recorded as a reduction to the note receivable, net of selling expenses, on the consolidated statements of financial position.

During the year ended June 30, 2024 and 2023, TMUS awarded tuition remission scholarships to dependents of board members totaling approximately \$90,000 and \$10,000, respectively.

# **THE MASTER'S UNIVERSITY & SEMINARY AND SUBSIDIARY**

## **Notes to Consolidated Financial Statements**

June 30, 2024 and 2023

20. SUBSEQUENT EVENTS:

Subsequent to year-end, TMUS acquired for cash four additional properties for student housing in the amount of approximately \$5,611,000. TMUS also entered into a purchase agreement to acquire for cash one additional property for student housing in the amount of approximately \$2,000,000.

Subsequent to year-end, TMUS sold the asset held for sale as of June 30, 2024 for a sales price of approximately \$1,900,000.

Subsequent events were evaluated through October 9, 2024, which is the date the consolidated financial statements were available to be issued.