LANCER PLAZA, LLC

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

LANCER PLAZA, LLC
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2024

INDEPENDENT AUDITORS' REPORT

Member
Lancer Plaza, LLC
Riverside, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Lancer Plaza, LLC (the Organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the 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 audit opinion.

Related Party Relationships

Lancer Plaza, LLC is a California limited liability company that has been organized and operates as a title holding company for facilities for the benefit of California Baptist University. The Organization's sole voting member is Lancer Educational Housing Corporation, a California nonprofit organization organized and operated to provide student housing and auxiliary facilities. See Notes 1 and 6 for additional information regarding related parties and related party transactions. Our opinion is not modified with respect to this matter.

Budget Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying budget information in the statement of activities is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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

In performing an audit in accordance with GAAS, we:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 Organization's ability to continue as a going concern for a reasonable period of time.

Member
Lancer Plaza, LLC

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Glendora, California
September 20, 2024

LANCER PLAZA, LLC
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS	
CURRENT ASSETS	
Cash and Cash Equivalents	$ 1,697,425
Accounts Receivable - Related Party	1,227,005
Total Current Assets	2,924,430
LONG-TERM ASSETS	
Cash Restricted for Bond Debt Service Reserves	2,284,069
Deposit	250,000
Property, Plant, and Equipment (Net of Depreciation)	21,307,220
Total Long-Term Assets	23,841,289
Total Assets	$ 26,765,719
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accrued Liabilities - Related Party	$ 661,126
Accrued Liabilities	504,277
Deferred Lease Revenue - Related Party	199,856
Security Deposit	9,528
Bonds Payable - Current Portion	699,303
Total Current Liabilities	2,074,090
LONG-TERM LIABILITIES	
Bonds Payable - Net of Current Portion	25,297,349
Total Long-Term Liabilities	25,297,349
Total Liabilities	27,371,439
NET ASSETS	
Net Assets Without Donor Restriction	(605,720)
Total Liabilities and Net Assets	$ 26,765,719

See accompanying Notes to Financial Statements.

LANCER PLAZA, LLC
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Actual	Budget
REVENUES, WITHOUT DONOR RESTRICTION		
Lease Income - Related Party	$ 2,398,272	$ 2,398,272
Interest Income	208,387	250
Other Income	6,065	-
Total Revenues	2,612,724	2,398,522
EXPENSES		
Program Activities:		
Depreciation Expense	739,706	737,573
Interest Expense/Debt Service	1,601,286	1,618,969
Total Program Activities	2,340,992	2,356,542
Total Expenses	2,340,992	2,356,542
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTION	271,732	$ 41,980
Net Assets Without Donor Restriction - Beginning of Year	(877,452)	
NET ASSETS WITHOUT DONOR RESTRICTION - END OF YEAR	$ (605,720)	

See accompanying Notes to Financial Statements.

LANCER PLAZA, LLC
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets Without Donor Restriction	$ 271,732
Adjustments to Reconcile Change in Net Assets Without Donor Restriction to Net Cash Flows Provided by Operating Activities:	
Depreciation	739,706
Cost of Issuance Amortization	47,430
Change in operating assets:	
Accounts receivable - related party	(1,227,005)
Change in Operating Liabilities:	
Accrued Liabilities	242,269
Accrued liabilities - related party	(247,410)
Net Cash Flows Used in Operating Activities	(173,278)
CASH FLOWS from INVESTING ACTIVITIES:	
Purchases of property, plant, and equipment	(42,654)
Net Cash Flows Used in Investing Activities	(42,654)
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on Bonds Payable	(710,000)
Net Cash Flows Used in Financing Activities	(710,000)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(925,932)
Cash and Cash Equivalents - Beginning of Year	4,907,426
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,981,494
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash Paid for Interest, Net of Capitalized Interest	$ 1,553,856
RECONCILIATION OF CASH AND CASH EQUIVALENTS	
Cash and Cash Equivalents	$ 1,697,425
Restricted Cash	2,284,069
Total Cash and Cash Equivalents	$ 3,981,494

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lancer Plaza, LLC (the Organization) is a California limited liability company that has been organized and operates as a title holding company for facilities for the benefit of California Baptist University. The Organization's sole voting member is Lancer Educational Housing Corporation (the Corporation), a California nonprofit organization organized and operated to provide student housing and auxiliary facilities. The Organization was not established for any purpose other than to support the tax-exempt charitable purposes of the Corporation.

Basis of Accounting

The financial statements have been prepared on the accrual method of accounting and accordingly reflect all significant receivables and other liabilities.

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

Donor-Imposed Restrictions

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had no donor restricted net assets as of June 30, 2024.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Lease Revenue

Deferred lease revenue consists of lease payments made in advance for the subsequent month.

Income Taxes

The Organization is a disregarded entity for federal and state income tax purposes. It also qualifies as a tax exempt title holding company under California Revenue and Taxation Code Section 23701x. Accordingly, no provision for income taxes has been made in these financial statements. Management has determined that all income tax positions are more likely than not of being sustained upon potential audit or examination; therefore, no disclosures of uncertain income tax positions are required. The Organization files informational returns in the state of California.

Use of Estimates

The preparation of financial statements in conformity with 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.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost and depreciated on the straight-line method. Useful lives used in the calculation of accumulated depreciation by major category of assets are as follows:

Buildings and Improvements (Considering the Date Originally Constructed or Purchased and Remaining Useful Life)	15 to 40 Years
Equipment and Fixtures	10 Years

Property, plant, and equipment balances as of June 30, 2024 are as follows:

Building and Improvements	$ 29,502,931
Equipment	42,654
Accumulated Depreciation	(8,238,365)
Property, Plant, and Equipment, Net	$ 21,307,220

All of the Organization’s property is held for lease (see Note 6).

Leases – Organization as Lessor

Revenue from lease payments is recognized under the accrual method. Lease payments are included in income as rents become due. Lease payments received in advance are deferred until earned. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received are recognized in revenue on the straight-line basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lessor costs such as property taxes, insurance and maintenance paid directly by a lessee to third parties on the lessor's behalf are excluded from variable lease payments. Reimbursements paid by lessees to the Organization are included in variable lease payments.

The Organization has elected to apply the practical expedient to combine lease and non-lease components identified in lease contracts. Revenue from lease payments includes consideration received for common area maintenance services provided by the Organization.

The Organization has elected to not evaluate whether certain sales taxes and other similar taxes collected from lessees are lessor or lessee costs. Instead, the Organization accounts for those taxes as if they are lessee costs and has excluded them from lease revenue.

Functional Expenses

The Organization reports its expenses on a functional basis in the statement of activities. Natural categories of expenses are directly allocated to a function based on the program or supporting function benefiting from the activity. There are no expenses that are allocated to more than one functional category.

Subsequent Events

All events subsequent to the statement of financial position date through September 20, 2024, which is the date these financial statements were available to be issued, have been evaluated in accordance with generally accepted accounting principles.

NOTE 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure are those that do not have donor or other restrictions limiting their use and are available to meet general expenditures within one year of the statement of financial position date. Financial assets available for general expenditures are comprised of cash and cash equivalents, in the amount of $2,924,430.

As part of its liquidity management, the Organization maintains excess cash and cash equivalents on hand to ensure general expenditures can be met. Lease income was set to ensure adequate cash flow to meet debt service and operating needs.

NOTE 3 CONCENTRATION OF CREDIT RISK

The Organization maintains several cash accounts with financial institutions. Because of the need to periodically maintain high cash balances in its accounts for operational purposes, a portion of its deposits exceeded the $250,000 insured by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2024.

NOTE 4 CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents represent investments in highly liquid accounts or debt instruments with an original maturity of three months or less and deposits with trustee that are being held to satisfy current debt service requirements.

NOTE 5 BONDS PAYABLE

In May 2013, the Organization obtained financing through the California Statewide Communities Development Authority (CSCDA). The amount loaned to the Organization was $32,275,000 to be applied to the construction, rehabilitation, and acquisition of educational facilities and equipment. The bonds are considered unconditional general obligations of the Organization, secured by a pledge of certain gross revenues. The loan agreement requires the Organization to comply with various covenants, conditions and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 5.125% to 5.875% and mature on November 1, 2043.

The Organization is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement, which is currently $2,284,069, which represents an amount equal to the greatest amount of bond debt service in any fiscal year during the period commencing with the fiscal year the determination is being made and terminating with the last fiscal year in which any bond is due. Commencing on November 1, 2013, the Organization must deposit for credit to the bond fund account an amount sufficient to pay principal and interest payable on the next ensuing payment date. Principal is payable annually each November 1st. A portion of the bonds are subject to early redemption at the option of the Organization on any date after November 1, 2023, together with accrued interest.

Debt Issue Costs

Costs associated with the issuance of bonds payable have been capitalized and are reported as a reduction of the Bonds Payable on the statement of financial position. These costs are amortized over the term of the bonds. Amortization of the issuance costs for the year ended June 30, 2024 was $47,430.

NOTE 5 BONDS PAYABLE (CONTINUED)

Future maturities under bonds payable are as follows:

Year Ending June 30,	Amount
2025	$ 745,000
2026	790,000
2027	830,000
2028	880,000
2029	930,000
Thereafter	22,375,000
Total Future Maturities	26,550,000
Unamortized Issue Costs	(553,348)
Net Bonds Payable	$ 25,996,652

NOTE 6 RELATED PARTIES

Lancer Educational Housing Corporation's board is comprised of two employees of California Baptist University (the University) and three other unrelated persons. The University is a private institution of higher education, offering both undergraduate and graduate courses to students. The University is located in Riverside, California.

Lancer Plaza LLC does not own the fee title to the land upon which its facilities are located; Lancer Plaza LLC has a ground leasehold interest, pursuant to a ground lease between Lancer Plaza LLC and the University. The term of the ground lease ends on June 30, 2063. The title to the facilities and other improvements that may be constructed during the lease term are vested in Lancer Plaza LLC, until the expiration of the lease term. Pursuant to the Ground Lease, the University has an option to terminate the Ground Lease early, by paying to Lancer Plaza LLC an amount equal to the great of: (i) fair market value for such leasehold interest, or (ii) the amount of all outstanding bonds. At the expiration of the lease term, the title to the facilities and other improvements on the land revert to the fee owner (i.e. the University).

University subleases the facilities and other improvements on Lancer Plaza from Lancer Plaza LLC, pursuant to a non-recourse Facilities Lease between Lancer Plaza LLC and University. The lease commenced in May 2013, expires in June 2043, and requires monthly lease payments in the amount of $199,856. Total lease revenue for the year ended June 30, 2024 was $2,398,272.

NOTE 6 RELATED PARTIES (CONTINUED)

Future minimum lease receipts expected under this agreement are as follows:

Year Ending June 30,	Amount
2025	$ 2,398,272
2026	2,398,272
2027	2,398,272
2028	2,398,272
2029	2,398,272
Thereafter	33,575,808
Total Future Minimum Lease Payments	$ 45,567,168

The Organization also has a contingent operating expense agreement with the University by which the expenses related to the facilities are paid for by the University and reimbursed by the Organization. As of June 30, 2024, the Organization had amounts owed to the University of $661,126.