

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2024 AND 2023



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**CALIFORNIA BAPTIST UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
California Baptist University
Riverside, California

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of California Baptist University (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses, 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 consolidated financial position of the University, as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 University 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.

Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying consolidating financial statements and the financial responsibility calculation supplemental schedules as required by the U.S. Department of Education are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2024, on our consideration of California Baptist University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of California Baptist University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering California Baptist University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Glendora, California
September 20, 2024

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023

ASSETS	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 53,709,553	\$ 75,396,045
Investments	49,787,257	47,273,888
Accounts Receivable - Students	9,619,069	9,709,185
Less: Allowance for Credit Losses	(2,077,075)	(2,117,471)
Accounts Receivable - Other, Net	919,663	686,723
Accounts Receivable - Related Parties	11,315,372	7,030,222
Pledges Receivable, Current Portion	1,197,884	588,838
Inventories	926,278	972,172
Prepaid Expenses and Other Assets	3,813,844	5,730,419
Total Current Assets	<u>129,211,845</u>	<u>145,270,021</u>
LONG-TERM ASSETS		
Cash Restricted for Bond Debt Service Reserves	28,609,474	28,609,474
Pledges Receivable, Net of Current Portion	175,550	377,912
Notes Receivable	2,731,494	2,600,502
Right of Use Asset - Operating	49,686,008	51,503,291
Right of Use Asset - Financing	524,226	646,517
Total Long-Term Assets	<u>81,726,752</u>	<u>83,737,696</u>
LONG-TERM INVESTMENTS		
Debt, Equity, and Alternative Investments	107,947,466	84,985,167
Real Estate	5,391,295	5,906,295
Total Long-Term Investments	<u>113,338,761</u>	<u>90,891,462</u>
PROPERTY, PLANT, AND EQUIPMENT, at Cost		
Land	35,583,645	35,583,645
Land Improvements	42,758,619	42,535,277
Buildings	312,169,827	308,903,548
Building Improvements	82,845,689	80,091,001
Leasehold Improvements	47,776,476	42,837,201
Equipment and Furniture	84,817,869	76,146,258
Vehicles	11,081,229	9,333,241
Construction-in-Progress	22,750,396	11,618,397
Less: Accumulated Depreciation	<u>(238,567,272)</u>	<u>(214,997,351)</u>
Total Property, Plant, and Equipment	<u>401,216,478</u>	<u>392,051,217</u>
Total Assets	<u><u>\$ 725,493,836</u></u>	<u><u>\$ 711,950,396</u></u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 8,338,006	\$ 7,741,815
Accrued Liabilities	9,363,572	10,635,614
Accrued Interest Payable	2,528,885	2,343,195
Funds Held in Custody for Others	736,782	1,352,637
Amounts Due to Related Parties	3,426,377	1,272,455
Deposits and Deferred Revenue	18,486,360	18,860,748
Notes Payable	1,566,875	1,492,989
Operating Lease Liability	3,263,933	3,417,130
Financing Lease Liability	80,831	77,861
Bonds Payable	6,765,080	6,478,858
Total Current Liabilities	<u>54,556,701</u>	<u>53,673,302</u>
LONG-TERM LIABILITIES		
Notes Payable	16,054,226	17,621,122
Operating Lease Liability	46,648,508	48,229,547
Financing Lease Liability	477,779	558,610
Bonds Payable	294,134,146	301,127,101
Federal Student Loan Funds	2,605,681	2,598,313
Total Long-Term Liabilities	<u>359,920,340</u>	<u>370,134,693</u>
NET ASSETS		
Without Donor Restriction	188,622,692	187,900,309
With Donor Restriction	122,394,103	100,242,092
Total Net Assets	<u>311,016,795</u>	<u>288,142,401</u>
 Total Liabilities and Net Assets	 <u><u>\$ 725,493,836</u></u>	 <u><u>\$ 711,950,396</u></u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
OPERATING REVENUES			
Student Tuition and Fees (Net of Tuition Discounts of \$126,100,082)	\$ 227,232,531	\$ -	\$ 227,232,531
Sales and Service	23,218,805	-	23,218,805
Private Gifts	2,235,423	2,365,702	4,601,125
Grants and Contracts	-	3,910,981	3,910,981
Cooperative Program	105,262	-	105,262
Investment Return	-	62,257	62,257
Net Unrealized Gain (Loss) on Investments	-	26,615	26,615
Interest Income	2,126,399	41,695	2,168,094
Other	10,769,882	-	10,769,882
Total Operating Revenues	<u>265,688,302</u>	<u>6,407,250</u>	<u>272,095,552</u>
Net Assets Released from Restrictions - Operating	<u>9,237,017</u>	<u>(9,237,017)</u>	<u>-</u>
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	274,925,319	(2,829,767)	272,095,552
OPERATING EXPENSES			
Program Activities:			
Instruction	110,692,143	-	110,692,143
Academic Support	10,339,598	-	10,339,598
Research	2,330,412	-	2,330,412
Student Services	67,201,100	-	67,201,100
Scholarships and Fellowships	412,000	-	412,000
Auxiliary Services	23,587,694	-	23,587,694
Management and Support Activities:			
Institutional Support	53,327,568	-	53,327,568
Development and Fundraising Expenses	4,814,919	-	4,814,919
Total Operating Expenses	<u>272,705,434</u>	<u>-</u>	<u>272,705,434</u>
CHANGE IN OPERATING NET ASSETS	2,219,885	(2,829,767)	(609,882)
NONOPERATING ACTIVITIES			
Long-Term Investment Activities:			
Investment Income on Endowments	2,101,307	4,864,249	6,965,556
Net Appreciation on Endowments	841,124	9,784,623	10,625,747
Total Long-Term Investment Activities	<u>2,942,431</u>	<u>14,648,872</u>	<u>17,591,303</u>
Contributions - Capital Giving and Endowments	-	5,922,253	5,922,253
Gain/(Loss) on Disposal of Capital Assets	(29,280)	-	(29,280)
Endowment Matching Reclassifications	(4,411,013)	4,411,013	-
Net Assets Released from Restrictions - Nonoperating	<u>360</u>	<u>(360)</u>	<u>-</u>
INCREASE (DECREASE) IN NONOPERATING NET ASSETS	<u>(1,497,502)</u>	<u>24,981,778</u>	<u>23,484,276</u>
INCREASE IN TOTAL NET ASSETS	722,383	22,152,011	22,874,394
Net Assets, Beginning of Year	<u>187,900,309</u>	<u>100,242,092</u>	<u>288,142,401</u>
NET ASSETS, END OF YEAR	<u>\$ 188,622,692</u>	<u>\$ 122,394,103</u>	<u>\$ 311,016,795</u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	Total
OPERATING REVENUE			
Student Tuition and Fees (Net of Tuition Discounts of \$118,987,331)	\$ 222,418,873	\$ -	\$ 222,418,873
Sales and Service	21,638,178	-	21,638,178
Private Gifts	344,676	2,150,844	2,495,520
Grants and Contracts	-	9,430,925	9,430,925
Cooperative Program	103,276	-	103,276
Investment Return	-	4,746	4,746
Net Unrealized Gain (Loss) on Investments	-	21,843	21,843
Interest Income	384,889	16,785	401,674
Other	10,006,380	-	10,006,380
Total Operating Revenue	254,896,272	11,625,143	266,521,415
Net Assets Released from Restrictions - Operating	17,893,716	(17,893,716)	-
TOTAL OPERATING REVENUE AND NET ASSETS RELEASED FROM RESTRICTIONS	272,789,988	(6,268,573)	266,521,415
OPERATING EXPENSES			
Program Activities:			
Instruction	107,058,849	-	107,058,849
Academic Support	9,462,208	-	9,462,208
Research	709,967	-	709,967
Student Services	64,505,526	-	64,505,526
Scholarships and Fellowships	831,962	-	831,962
Auxiliary Services	25,017,940	-	25,017,940
Management and Support Activities:			
Institutional Support	54,285,032	-	54,285,032
Development and Fundraising Expenses	4,106,890	-	4,106,890
Total Operating Expenses	265,978,374	-	265,978,374
CHANGE IN OPERATING NET ASSETS	6,811,614	(6,268,573)	543,041
NONOPERATING ACTIVITIES			
Long-Term Investment Activities			
Investment Income on Endowments	774,873	723,730	1,498,603
Net Appreciation on Endowments	282,312	8,418,823	8,701,135
Total Long-Term Investment Activities	1,057,185	9,142,553	10,199,738
Contributions - Capital Giving and Endowments	-	9,038,501	9,038,501
Endowment Matching Reclassifications	(3,102,238)	3,102,238	-
Net Assets Released from Restrictions - Nonoperating	203,000	(203,000)	-
INCREASE IN NONOPERATING NET ASSETS	(1,842,053)	21,080,292	19,238,239
INCREASE IN TOTAL NET ASSETS	4,969,561	14,811,719	19,781,280
Net Assets, Beginning of Year	182,930,748	85,430,373	268,361,121
NET ASSETS, END OF YEAR	\$ 187,900,309	\$ 100,242,092	\$ 288,142,401

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2024

	Program Services					Management and Support			
	Instruction	Academic Support	Research	Student Services	Scholarships and Fellowships	Auxiliary Services	Institutional Support	Development and Fundraising	Total 2024
Compensation and Benefits	\$ 78,388,876	\$ 6,724,094	\$ 1,619,311	\$ 36,851,041	\$ -	\$ 4,205,291	\$ 22,309,838	\$ 2,788,041	\$ 152,886,492
Advertising and Promotion	291,014	-	7,394	727,963	-	-	6,498,258	90,150	7,614,779
Bad Debt	-	-	-	-	-	-	826,352	-	826,352
Depreciation	9,789,341	914,409	-	5,942,508	-	1,916,860	4,757,235	401,582	23,721,935
Equipment Rent and Maintenance	905,550	36,508	23,462	604,842	-	110,035	398,623	90,843	2,169,863
Hospitality	604,946	5,532	5,017	927,755	-	146,108	153,807	285,814	2,128,979
Information Technology	707,187	156,861	44,254	738,889	-	132,152	2,292,887	119,463	4,191,693
Insurance	1,151,194	75,978	18,148	1,674,221	-	200,215	402,848	34,369	3,556,973
Interest	7,232,026	675,533	143,002	4,390,264	-	1,357,873	3,056,473	270,817	17,125,988
Occupancy	3,592,589	305,998	112,718	3,094,749	-	1,907,290	3,963,484	208,667	13,185,495
Office Expenses	2,268,665	1,119,794	37,581	4,085,488	-	555,100	1,640,645	134,055	9,841,328
Professional Services	2,616,423	163,672	111,956	3,873,932	-	12,055,971	6,762,521	241,690	25,826,165
Scholarships and Fellowships	-	-	-	-	412,000	-	-	-	412,000
Travel Expense	2,533,482	149,877	16,451	3,913,937	-	10,097	89,189	81,711	6,794,744
Other Expenses, Costs, Losses	610,850	11,342	191,118	375,511	-	990,702	175,408	67,717	2,422,648
Total Functional Expenses	<u>\$ 110,692,143</u>	<u>\$ 10,339,598</u>	<u>\$ 2,330,412</u>	<u>\$ 67,201,100</u>	<u>\$ 412,000</u>	<u>\$ 23,587,694</u>	<u>\$ 53,327,568</u>	<u>\$ 4,814,919</u>	<u>\$ 272,705,434</u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023

	Program Services						Management and Support		Total 2023
	Instruction	Academic Support	Research	Student Services	Scholarships and Fellowships	Auxiliary Services	Institutional Support	Development and Fundraising	
Compensation and Benefits	\$ 75,327,168	\$ 6,116,611	\$ 477,680	\$ 33,883,942	\$ -	\$ 3,592,441	\$ 19,985,517	\$ 2,596,892	\$ 141,980,251
Advertising and Promotion	307,614	739	13,500	730,473	-	600	6,435,968	89,476	7,578,370
Bad Debt	-	-	-	108,305	-	-	489,807	-	598,112
Depreciation	9,400,297	830,828	3,646	5,663,905	-	2,020,179	4,664,600	340,659	22,924,114
Equipment Rent and Maintenance	1,401,745	55,349	4,511	737,980	-	154,829	853,537	84,369	3,292,320
Hospitality	420,425	1,170	2,849	911,748	-	95,590	99,559	38,069	1,569,410
Information Technology	614,403	302,862	3,930	2,672,474	-	184,795	6,812,864	100,221	10,691,549
Insurance	1,004,290	49,172	4,014	1,901,251	-	131,726	285,483	20,813	3,396,749
Interest	7,232,281	639,212	51,673	4,357,623	-	1,484,736	3,217,697	238,170	17,221,392
Occupancy	3,625,335	304,285	22,634	3,145,961	-	1,652,217	3,873,193	175,142	12,798,767
Office Expenses	1,770,479	679,150	13,773	2,105,054	-	1,812,026	1,286,162	138,476	7,805,120
Professional Services	2,650,292	216,041	98,628	3,309,584	-	12,779,528	4,767,188	155,968	23,977,229
Scholarships and Fellowships	-	-	-	-	831,962	-	-	-	831,962
Travel Expense	2,226,808	240,031	9,589	3,931,881	-	17,231	248,373	67,197	6,741,110
Other Expenses, Costs, Losses	1,077,712	26,758	3,540	1,045,345	-	1,092,042	1,265,084	61,438	4,571,919
Total Functional Expenses	<u>\$ 107,058,849</u>	<u>\$ 9,462,208</u>	<u>\$ 709,967</u>	<u>\$ 64,505,526</u>	<u>\$ 831,962</u>	<u>\$ 25,017,940</u>	<u>\$ 54,285,032</u>	<u>\$ 4,106,890</u>	<u>\$ 265,978,374</u>

See accompanying Notes to Consolidated Financial Statements.

CALIFORNIA BAPTIST UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 22,874,394	\$ 19,781,280
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows provided by Operating Activities:		
Depreciation	23,721,935	22,924,114
Amortization	2,042,840	3,638,641
Net Realized (Gain) Loss on Investments	(747,750)	1,230,292
Net Unrealized (Gain) Loss on Investments	(10,652,362)	(8,722,978)
In-Kind Contributions	-	(3,296,953)
Contributions Restricted for Long-Term Purposes	(5,871,893)	(4,479,514)
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Students, Net	49,720	(536,867)
Accounts Receivable - Other	(232,940)	4,733,923
Accounts Receivable - Related Parties	(4,285,150)	(1,046,540)
Pledges Receivable - Non-Endowment	(92,580)	(237,711)
Notes Receivable	(130,992)	151,582
Inventories	45,894	26,098
Prepaid Expenses and Other Assets	1,916,575	443,398
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	596,191	4,011,639
Accrued Liabilities	(1,086,352)	275,674
Amounts due to Related Parties	2,153,922	1,223,614
Deferred Revenue and Deposits	(374,388)	(2,024,949)
Operating Lease Liability	(1,734,236)	(3,383,945)
Funds Held for Others	(615,855)	81,731
Net Cash Flows provided by Operating Activities	<u>27,576,973</u>	<u>34,792,529</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Investments	6,183,411	7,381,043
Purchases of Investments	(19,743,967)	(13,119,221)
Purchase of Property, Plant, and Equipment	<u>(32,887,196)</u>	<u>(25,940,061)</u>
Net Cash Flows used in Investing Activities	(46,447,752)	(31,678,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of Financing Lease Obligations	(77,861)	(74,999)
Repayments of Notes Payable	(1,492,989)	(1,426,357)
Repayments of Bonds Payable	(6,810,020)	(6,555,006)
Collections of Contributions Restricted for Long-Term Purposes	5,557,789	4,471,602
Change in Federal Student Loan Funds	7,368	(186,660)
Net Cash Flows used in Financing Activities	<u>(2,815,713)</u>	<u>(3,771,420)</u>
NET INCREASE (DECREASE) IN RESTRICTED CASH AND CASH EQUIVALENTS	(21,686,492)	(657,130)
Cash, Cash Equivalents and Restricted ash, Beginning of Year	<u>104,005,519</u>	<u>104,662,649</u>
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	<u><u>\$ 82,319,027</u></u>	<u><u>\$ 104,005,519</u></u>

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California Baptist University (the University) is a private institution of higher education, offering both undergraduate and graduate courses to students. The University is located in Riverside, California.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Lancer Plaza LLC (owned by Lancer Educational Housing Corporation – see note 17) due to the nature of the lease between the University and Lancer Plaza LLC related to this real estate property. All inter-company accounts and transactions have been eliminated.

The accompanying consolidated financial statements include the accounts of California Baptist University Development Foundation, a wholly-owned tax exempt corporation. The Foundation was dissolved during the year ended June 30, 2023. The purpose of the Foundation was to seek out contributions, predominantly long-term gifting, of which the University is the recipient. The University funded the operating expenditures of the Foundation.

The accompanying consolidated financial statements include the accounts of CBU Hemet Street, LLC and 3501 Adams LLC, single member LLCs. The purpose of the LLCs are to hold property title for the University. All intercompany accounts and transactions have been eliminated.

Basis of Accounting and Presentation

The University maintains its accounts in accordance with the principles and practices of fund accounting. Fund accounting is the procedure by which resources for various purposes are classified for accounting purposes in accordance with activities or objectives specified by donors.

These consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets, net assets with donor restriction and net assets without donor restriction.

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 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities are reported at fair value. Other investments are reported at carrying value (purchase cost or fair value at date of gift).

Concentration of Risk

The University maintains several cash deposits with financial institutions. Because of the need to periodically maintain high balances in its accounts for operational purposes, a portion of the deposits were uninsured at the end of the fiscal year.

Accounts Receivable

Accounts receivable include tuition receivables and other receivables. They are stated at the amount management expects to collect from outstanding balances on accounts. Collectability of accounts receivable is reviewed both individually and in the aggregate. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance using a modified percent of receivables approach and the assessment of the current status of individual accounts. Bad debt expense related to contract receivables for the years ended June 30, 2024 and 2023 was \$826,352 and \$598,112, respectively.

Inventories

Inventories are valued at the lower of cost (first-in, first-out) or net realizable value.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost of purchase or fair value at date of gift. Depreciation is calculated 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)	15-40 Years
Equipment and Fixtures	10 Years
Vehicles	7 Years

Depreciation expense for the years ended June 30, 2024 and 2023 was \$23,721,935 and \$22,924,114, respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

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 University reports all donor-restricted contributions 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.

Operating Revenues and Expenses and Nonoperating Activities

Operating activities include all educational and institutional programs, auxiliary services and development. Nonoperating activities consist of investment income related to endowments (donor-restricted and quasi), contributions restricted for capital projects and endowments, and the University matching of endowment gifts.

Revenue Recognition and Disaggregation of Revenue

Student tuition and fees are recorded as revenues in the period during which the academic services are rendered. The University's online and campus based programs deliver instruction in three semesters, Fall (early September – late December), Spring (early January – late April), and Summer (early May – late August). Payments of tuition and fees for the summer semester are recognized as performance obligations are met. Because the summer semester spans two reporting periods, a portion of the payments is included in deferred revenue as of June 30, 2024 and 2023 (see deferred revenue below). Institutional scholarships awarded to students reduce the amount of revenue recognized. The University awarded scholarships in the amount of \$126.1 million and \$119.0 million for the years ended June 30, 2024 and 2023 respectively.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition and Disaggregation of Revenue (Continued)

In addition, students who adjust their course load or withdraw completely within the first two weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Refunds are issued two weeks from approval and reduce the amount of revenue recognized. Payments for tuition are due approximately two weeks prior to the start of the academic term.

Sales and service revenues are primarily comprised of dining services and bookstore sales. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Performance obligations for dining services are delivered over the academic semester, consequently, associated revenues are earned and recognized over the course of each term as the services are rendered.

Students also pay nonrefundable deposits and fees for the following fall academic semester. These deposits and fees are applied against the charges for the academic programs. Deposits and fees for the past two years are noted in the deferred revenue summary of significant accounting policies section.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the time of the gift.

Grants and contracts that are conditioned upon the performance of certain requirements or the incurrence of allowable qualifying expenses are recognized as revenues in the period in which the conditions are met. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenues in the statements of financial position. For the years ended June 30, 2024 and 2023, the University has received cost-reimbursable grants of \$17,705 and \$7,632,089, respectively, of which \$0 and \$0, respectively, is recognized as deferred revenue in the statement of financial position because qualifying expenditures have not yet been incurred.

Income and realized net gains on investments of endowment and similar funds are reported as follows:

1. As increases in net assets with donor restrictions, if the terms of the gift or the University's interpretation of relevant state law require that they be added to the principal of an endowment fund;
2. As increases in net assets with donor restrictions, if the terms of the gift impose restrictions on the use of the assets, or income from an endowment fund;
3. As increases in net assets without donor restrictions in all other cases.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Deferred revenue represents payments for summer tuition, summer dining services, deposits, and fees received prior to satisfaction of the performance obligation. The following table depicts information about significant changes in the contract liabilities recorded as deferred revenue for the years ended June 30, 2024 and 2023:

	Summer Tuition	Deposits and Fees for Fall Semester	Other Sales and Services	Deferred Grant Revenue	Total
Balance at 6/30/2022	\$ 15,803,868	\$ 1,985,060	\$ 359,453	\$ 80,897	\$ 18,229,278
Revenue Recognized, Deposits Applied/Forfeited	(15,803,868)	(1,985,060)	(359,453)	(80,897)	(18,229,278)
Payments Received for Future Performance Obligations	14,002,493	1,863,751	418,289	-	16,284,533
Balance at 6/30/2023	14,002,493	1,863,751	418,289	-	16,284,533
Revenue Recognized, Deposits Applied/Forfeited	(14,002,493)	(1,863,751)	(418,289)	-	(16,284,533)
Payments Received for Future Performance Obligations	14,170,502	1,224,258	508,804	-	15,903,564
Balance at 6/30/2024	<u>\$ 14,170,502</u>	<u>\$ 1,224,258</u>	<u>\$ 508,804</u>	<u>\$ -</u>	<u>\$ 15,903,564</u>

The balance of deferred revenue at June 30, 2024, less any refunds issued will be recognized as revenue over the academic term as services are rendered. The University applies the practical expedient in ASC 606-10-50-14 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The University anticipates that students enrolled for the Fall semester will continue their studies in the Spring semester, and that students who receive their baccalaureate degree in December or May will be replaced by an equivalent number of new enrollees.

Leases

The University leases equipment and facilities. The University determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the statement of financial position. Finance leases are included in property and equipment, other current liabilities, and other long-term liabilities on our statement of financial position.

ROU assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As most of leases do not provide an implicit rate, the University uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet.

The University has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

In evaluating contracts to determine if they qualify as a lease, the University considers factors such as if the University has obtained substantially all of the rights to the underlying asset through exclusivity, if the University can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, Leases (ASC 842). The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The University adopted the requirements of the guidance effective July 1, 2022 and has elected to apply the provisions of this standard to the beginning of the period of adoption, through a cumulative effect adjustment, with certain practical expedients available.

The University has elected to adopt the package of practical expedients available in the year of adoption. The University has elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the University's ROU assets.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The University elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

In addition, the University elected the hindsight practical expedient to determine the lease term for existing leases.

The standard had a material impact on the balance sheets but did not have an impact on the income statements, nor statements of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the University's accounting for finance leases remained substantially unchanged.

Advertising

The University had \$6,460,891 and \$6,390,734 in advertising expenses for the years ended June 30, 2024 and 2023, respectively.

Use of Estimates

The preparation of 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.

Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income taxes; accordingly, no provision for income taxes is made in the financial statements.

The University has evaluated its tax positions and the certainty as to whether those positions will be sustained in the event of an audit by taxing authorities at the federal and state levels. The primary tax positions evaluated are related to the University's continued qualification as a tax-exempt organization and whether there are unrelated business income activities conducted that would be taxable. 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 University is subject to income tax on net income that is derived from business activities that are unrelated to the exempt purposes. The University files an exempt organization return and, if applicable, unrelated business income tax return in the U.S. federal jurisdiction and with the California Franchise Tax Board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Adoption of New Accounting Standards

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The amendments in this update replace the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The effective dates for ASU 2016-13 have been updated by ASU 2019- 10, Effective Dates. The statement is effective for fiscal year ending June 30, 2024.

The University adopted the guidance effective July 1, 2023. The adoption of this Standard did not have a material impact on the University's financial statements. The University records tuition receivable at the start of the semester. An allowance for credit losses related to tuition receivable from students is established based on historical collection rates of age of receivable and adjusted for reasonable expectations of future collection performance, net of estimated recoveries. Assumptions include macroeconomic conditions and historical default rates. Management continually monitors these factors and adjusts the allowance as necessary to reflect current expectations of credit losses and believes that the composition of receivables at year-end is consistent with historical conditions as credit terms and practices has not changed significantly.

Reclassifications

Certain reclassifications have been made to the 2023 financial statements to conform to the 2024 presentation.

Subsequent Events

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

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 the following as of June 30, 2024 and 2023:

	2024	2023
Cash and Cash Equivalents	\$ 53,709,553	\$ 75,396,045
Accounts Receivable - Students	9,619,069	9,709,185
Less: Allowance for Credit Losses	(2,077,075)	(2,117,471)
Accounts Receivable - Other, Net	919,663	686,723
Accounts Receivable - Related Parties	11,315,372	7,030,222
Less: Cash Available for Student Financial Aid	(5,840,896)	(2,181,035)
Less: Bond Accounts for Debt Service Payments	(8,017,034)	(7,675,363)
Less: Funds Held in Custody for Others	(736,782)	(1,352,637)
Financial Assets Available for General Expenditure	<u>\$ 58,891,870</u>	<u>\$ 79,495,669</u>

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 LIQUIDITY AND AVAILABILITY (CONTINUED)

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The University's board-designated endowment of \$49,787,257 and \$47,273,888 at June 30, 2024 and 2023, respectively, is subject to an annual spending rate of 4% as described in Note 7. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of our board's annual budget approval and appropriation), these amounts could be made available if necessary.

As part of its liquidity management, the University invests cash in excess of daily requirements in various short-term investments. Additionally, the University has committed lines of credit in the amount of \$15,000,000 (see note 19), which it could draw upon in the event of an unanticipated liquidity need.

NOTE 3 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents and cash restricted for bond debt service reserves were comprised of the following:

	2024	2023
Cash Available for Operations	\$ 47,868,657	\$ 75,228,133
Cash Available for Student Financial Aid	5,840,896	2,181,035
Cash Restricted for Bond Debt Service Reserves	28,609,474	28,609,474
Total	<u>\$ 82,319,027</u>	<u>\$ 106,018,642</u>

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS

Levels 1 through 3 have been assigned to the fair value measurement of investments. The fair value level of measurement is determined as follows:

Level 1 – Quoted prices in an active market for identical assets.

Level 2 – Quoted prices for similar assets and market-corroborated inputs.

Level 3 – The organization's own assumptions about market participation, including assumptions about risk, developed based on the best information available in the circumstances.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Fair values are as follows at June 30, 2024:

	Fair Value	Level 1	Level 2	Level 3
Investments Measured at Fair Value:				
Baptist Foundation of California:				
CIF Primary Alternatives Fund	\$ 4,530,674	\$ -	\$ 4,530,674	\$ -
CIF Endowment Income Fund	4,589,859	-	4,589,859	-
CIF Global Equities Fund	19,204,009	-	19,204,009	-
Total Investments Measured at Fair Value	28,324,542	\$ -	\$ 28,324,542	\$ -
Investments Measured at Net Asset Value (NAV):				
Texas Baptist Foundation:				
HighGround Endowment Fund Summit	235,058			
Common Fund - Multi-Strategy Equity Fund	67,594,255			
Common Fund - Multi-Strategy Bond Fund	24,876,688			
Common Fund - High Quality Bond Fund	36,696,430			
Total Investments Measured at NAV	129,402,431			
Investments Reported at Carrying Value	5,399,045			
Total Investments	<u>\$ 163,126,018</u>			

Fair values are as follows at June 30, 2023:

	Fair Value	Level 1	Level 2	Level 3
Investments Measured at Fair Value:				
Baptist Foundation of California:				
CIF Alternative Investment Fund	\$ 3,188,673	\$ -	\$ 3,188,673	\$ -
CIF Endowment Income Fund	3,143,818	-	3,143,818	-
CIF Stock Fund	15,515,588	-	15,515,588	-
Total Investments Measured at Fair Value	21,848,079	-	21,848,079	-
Investments Measured at Net Asset Value (NAV):				
Texas Baptist Foundation:				
HighGround Endowment Fund Summit	224,457			
Common Fund - Multi-Strategy Equity Fund	53,596,250			
Common Fund - Multi-Strategy Bond Fund	20,997,631			
Common Fund - High Quality Bond Fund	35,584,888			
Total Investments Measured at NAV	110,403,226			
Investments Reported at Carrying Value	5,914,045			
Total Investments	<u>\$ 138,165,350</u>			

The University's investments with the Baptist Foundation of California are valued based on the value of the underlying assets as determined by the market approach for the respective funds.

The University's investments reported at carrying value include real estate and debenture notes. Neither of these investments are measured on a recurring basis. Real estate investments were measured using appraisals at the measurement date. The appraisals applied the market approach using comparable data available for similar properties.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The fair values of certain investments have been estimated using the net asset value per share (NAV) as reported by the management of the respective investment. Accounting standards provide for the use of NAV as a practical expedient for estimating fair value.

Based on the terms and conditions in effect at June 30, 2024 and 2023, the University's investment funds valued at NAV are as follows:

Investment Type	Fair Value at June 30,		Investment Strategy	Unfunded Commitment	Redemption Terms
	2024	2023			
TEXAS BAPTIST FOUNDATION					
HighGround Endowment Fund					
Summit	\$ 235,058	\$ 224,457	See (a) below	N/A	See (b) below

(a) Globally diversified multi-asset class strategy with a risk and return profile that aligns with the perpetual investment horizon and long-term objectives of endowment assets. The fund is managed as a fund-of-funds and constructed using HighGround's public equity and fixed income investment funds, as well as its alternative asset class funds.

(b) The 5th and 20th calendar day of each month or previous business day.

Investment Type	Fair Value at June 30,		Investment Strategy	Unfunded Commitment	Redemption Terms
	2024	2023			
COMMONFUND					
<i>Equity Funds</i>					
Multi-Strategy Equity Fund	\$ 67,594,255	\$ 53,596,250	See (c) below	N/A	See (d) below
<i>Bond Funds</i>					
Multi-Strategy Bond Fund	24,876,688	20,997,631	See (e) below	N/A	See (f) below
High Quality Bond Fund	36,696,430	35,584,888	See (g) below	N/A	See (h) below

(c) Outperform the return of the US equity market as measured by the S&P 500 Index and, due to its strategy and manager diversification, to reduce risk in comparison to that of investing in the index over long time periods.

(d) Can redeem the last business day of any given month with 5 business days notification, not counting trade date.

(e) Outperform its benchmark, the Barclays Capital US Aggregate Bond Index. The program will seek to diversify its portfolio by allocating assets to other fixed income securities and strategies, including but not limited to global bonds, inflation-indexed bonds, high yield bonds, emerging markets debt and opportunistic credit strategies.

(f) Can redeem the last business day of any given month with 5 business days notification, not counting trade date.

(g) Outperform its benchmark, the Barclays Capital US Aggregate Bond Index, over a full market cycle while reducing risk through diversification of manager allocations.

(h) Can redeem either 1) every Wednesday with prior Wednesday notification, or 2) the last business day of any given month with 5 business days notification, not counting trade date.

NOTE 4 INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

The following schedule summarizes the investment activity of the University and its classification in the consolidated statement of activities for the years ended June 30, 2024 and 2023:

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Interest and Dividends, net	\$ 2,114,357	\$ 4,208,895	\$ 6,323,252
Net Realized Gains	511	747,239	747,750
Expenses	(13,561)	(29,628)	(43,189)
Total Investment Return	<u>\$ 2,101,307</u>	<u>\$ 4,926,506</u>	<u>\$ 7,027,813</u>

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Interest and Dividends, net	\$ 1,255,378	\$ 1,620,860	\$ 2,876,238
Net Realized Gains	(425,365)	(804,927)	(1,230,292)
Expenses	(55,140)	(87,457)	(142,597)
Total Investment Return	<u>\$ 774,873</u>	<u>\$ 728,476</u>	<u>\$ 1,503,349</u>

NOTE 5 PLEDGES RECEIVABLE

Total unconditional promises to give were as follows:

	2024	2023
Receivable in Less Than One Year	\$ 1,197,884	\$ 588,838
Long-Term Pledges Receivable:		
Receivable in One to Five Years	202,250	402,000
Receivable Over Five Years	-	-
Total Long-Term Pledges Receivable	202,250	402,000
Less: Discount to Net Present Value	(26,700)	(24,088)
Net Long-Term Pledges Receivable	175,550	377,912
Total Pledges Receivable	<u>\$ 1,373,434</u>	<u>\$ 966,750</u>

Pledges receivable represent promises to give which have been made by donors but have not yet been received by the University. Pledges which will not be received in the subsequent year have been discounted using an estimated rate of return of 6%, which could be earned if such contributions had been made in the current year. The University considers pledges receivable fully collectible; accordingly, no allowance for uncollectible pledges has been established.

NOTE 6 NOTES RECEIVABLE

The University issues uncollateralized loans to students based on financial need and as a benefit to employees enrolled at the University. Student loans are funded through the University and through Federal government loan programs. The University's allowance for doubtful accounts on notes receivable is included with the allowance for doubtful student accounts receivable and is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. University funded notes receivable are forgivable upon the satisfaction of the terms of the note. At June 30, 2024 and 2023, notes receivable represented less than 1% of total assets.

At June 30, student and employee loans receivable consisted of the following:

	2024	2023
University Funded Notes Receivable	\$ 1,131,866	\$ 1,193,874
Federally Funded Notes Receivable	1,599,628	1,406,628
Notes Receivable, Net	<u>\$ 2,731,494</u>	<u>\$ 2,600,502</u>

At June 30, the past due and current amounts under student and employee loan programs were as follows:

	2024	2023
Notes Receivable:		
Current Loans Receivable	\$ 2,633,745	\$ 2,502,753
Past Due Loan Receivables:		
0 - 240 Days Past Due	59,579	59,579
240 Days - 2 Years Past Due	38,170	38,170
2 - 5 Years Past Due	-	-
Over 5 Years Past Due	-	-
Total Past Due	<u>97,749</u>	<u>97,749</u>
Notes Receivable, Gross	<u>\$ 2,731,494</u>	<u>\$ 2,600,502</u>

Funds advanced by the Federal government of \$2,605,681 and \$2,598,313 at June 30, 2024 and 2023, respectively, are ultimately refundable to the government and are classified as Federal Student Loan Funds on the Statement of Financial Position.

NOTE 7 ENDOWMENT FUNDS

The University's endowment consists of individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

The Board of Trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions to be held in perpetuity: (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified to be held in perpetuity is classified as with donor restrictions subject to endowment spending policy and appropriation until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

The University has adopted investment and spending policies, approved by the board of trustees, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Therefore, the University expects its endowment assets, over time, to produce an average rate of return greater than the spending policy plus inflation. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The University has a policy of appropriating for distribution each year 4% of its endowment fund's average fair value of the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. The University expects the current spending policy to allow its endowment funds to grow at a rate greater than inflation, which is consistent with the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

The University's board has established a quasi-endowment fund by designating a portion of the operating fund to act as an endowment fund. The intent of the quasi-endowment fund is to build long-term cash growth through reallocation of operating funds. The University intends to reallocate future excess operating cash flows to the quasi-endowment fund and may borrow from this fund from time to time for short-term cash flow needs.

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2024 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-Designated Quasi-Endowment	\$ 49,787,257	\$ -	\$ 49,787,257
Donor-Restricted Endowment Funds	-	107,819,779	107,819,779
Total Endowment Funds	<u>\$ 49,787,257</u>	<u>\$ 107,819,779</u>	<u>\$ 157,607,036</u>

For the years ended June 30, 2024 and 2023 the University approved a policy to match certain qualifying contributions to the endowment. The matching contributions required by the University were \$4,411,013 and \$3,102,238 for the years ended June 30, 2024 and 2023, respectively.

Changes in endowment net assets for the fiscal year ended June 30, 2024 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets - Beginning of Year	\$ 47,273,888	\$ 85,802,049	\$ 133,075,937
Investment Return:			
Investment Income	2,101,307	5,017,501	7,118,808
Net Appreciation (Depreciation)	841,124	9,631,371	10,472,495
Total Investment Return	2,942,431	14,648,872	17,591,303
Contributions	-	5,871,893	5,871,893
Board-Designated Transfer	(429,062)	-	(429,062)
Matching	-	4,411,013	4,411,013
Endowment Spending	-	(2,914,048)	(2,914,048)
Endowment Net Assets - End of Year	<u>\$ 49,787,257</u>	<u>\$ 107,819,779</u>	<u>\$ 157,607,036</u>

Due to cumulative losses on investments the fair value of assets for certain donor-restricted endowment funds was less than the amounts required by donors and is reported as a component of net assets with donor restrictions. The original cumulative donor gifts, market value and resulting underwater amounts for those underwater donor restricted endowment funds as of June 30, 2024 and 2023 are as follows:

	2024	2023
Cumulative Original Gifts	\$ 973,823	\$ 26,833,980
Market Value	720,304	24,313,323
Underwater Endowments	<u>\$ 253,519</u>	<u>\$ 2,520,657</u>

NOTE 7 ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund as of June 30, 2023 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Board-Designated Quasi-Endowment	\$ 47,273,888	\$ -	\$ 47,273,888
Donor-Restricted Endowment Funds	-	85,802,049	85,802,049
Total Endowment Funds	<u>\$ 47,273,888</u>	<u>\$ 85,802,049</u>	<u>\$ 133,075,937</u>

Changes in endowment net assets for the fiscal year ended June 30, 2023 was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment Net Assets, Beginning of Year	\$ 46,746,682	\$ 72,360,074	\$ 119,106,756
Investment Return:			
Investment Income	774,873	723,730	1,498,603
Net Appreciation (Depreciation)	282,312	8,418,823	8,701,135
Total Investment Return	1,057,185	9,142,553	10,199,738
Contributions	-	4,479,514	4,479,514
Board-Designated Transfer	(529,979)	-	(529,979)
Matching	-	3,102,238	3,102,238
Endowment Spending	-	(3,282,330)	(3,282,330)
Endowment Net Assets, End of Year	<u>\$ 47,273,888</u>	<u>\$ 85,802,049</u>	<u>\$ 133,075,937</u>

NOTE 8 NET ASSETS

Net assets without donor restrictions consist of the following:

	2024	2023
Operating Fund	\$ 155,186,737	\$ 147,904,067
Board-Designated Quasi-Endowment	49,787,257	47,273,888
Plant Funds	(16,071,549)	(6,689,412)
Hemet LLC	376,695	280,816
3501 Adams LLC	(50,728)	8,402
Lancer Plaza LLC	(605,720)	(877,452)
Total	<u>\$ 188,622,692</u>	<u>\$ 187,900,309</u>

NOTE 8 NET ASSETS (CONTINUED)

Net assets with donor restrictions that are restricted for the following purposes or periods consist of:

	2024	2023
Subject to Specific Purpose:		
Educational Programs	\$ 4,459,761	\$ 5,438,883
Financial Aid	5,039,016	3,764,452
Other	4,475,294	4,729,035
Unconditional Promises to Give, Net - Financial Aid	1,518	2,500
Unconditional Promises to Give, Net - Educational Programs	485,494	404,538
Unconditional Promises to Give, Net - Other	113,241	100,635
Total Specific Purpose Restrictions	<u>14,574,324</u>	<u>14,440,043</u>
Subject to Endowment Spending Policy and Appropriation:		
Financial Aid	17,231,352	8,414,903
General Use	2,764,001	2,177,362
Other	550,846	486,248
Underwater Endowments	(253,519)	(2,520,657)
Total Subject to Spending Policy and Appropriation	<u>20,292,680</u>	<u>8,557,856</u>
To Be Held in Perpetuity:		
Endowment Corpus	86,753,918	76,785,116
Unconditional Promises to Give, Net - Restricted to Endowment	773,181	459,077
Total to Be Held in Perpetuity	<u>87,527,099</u>	<u>77,244,193</u>
 Total Net Assets With Donor Restriction	 <u><u>\$ 122,394,103</u></u>	 <u><u>\$ 100,242,092</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended June 30:

	2024	2023
Educational Programs	\$ 3,101,800	\$ 13,559,353
Financial Aid	3,976,252	3,352,152
Other	2,159,325	1,185,211
Total	<u>\$ 9,237,377</u>	<u>\$ 18,096,716</u>

NOTE 9 LEASES

ASC 842

The University leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2051. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the University's leases.

	2024	2023
Lease Costs		
Finance lease costs:		
Amortization of right-of-use assets	\$ 83,876	\$ 100,399
Interest on lease liabilities	22,295	3,772
Operating lease costs	5,064,279	5,052,179
Total lease costs	<u>\$ 5,170,450</u>	<u>\$ 5,156,350</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 5,090,403	\$ 5,009,197
Weighted-average remaining lease term - financing leases	6 years	7 years
Weighted-average remaining lease term - operating leases	22 years	22 years
Weighted-average discount rate - financing leases	3.75%	3.75%

The University classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of June 30, 2024, is as follows:

<u>Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Financing Leases</u>
2025	\$ 4,647,330	\$ 100,404
2026	4,593,420	100,404
2027	4,537,625	100,404
2028	4,051,971	100,404
2029	3,342,453	100,404
Thereafter	46,631,590	125,499
Total Lease Payments	<u>67,804,389</u>	<u>627,519</u>
Less: Interest	<u>(17,891,948)</u>	<u>(68,909)</u>
Present Value of Lease Liabilities	<u>\$ 49,912,441</u>	<u>\$ 558,610</u>

NOTE 10 LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
2014 Bond Issue: The University issued Bonds in the amount of \$55,710,000 to refinance existing debt and to finance capital expansion (see Note 11).	\$ 44,860,000	\$ 45,965,000
CBU Hemet Street, LLC obtained a \$5,000,000 loan to refinance an existing loan. The loan carries an interest rate of 4.36% and requires monthly principal and interest payments of \$27,587. The loan matures on July 23, 2034.	4,392,557	4,525,563
2013 Bond Issue: Lancer Plaza, LLC issued Bonds in the amount of \$32,275,000 to finance capital expansion (see Note 11).	26,550,000	27,260,000
2015 Bond Issue: The University issued Bonds in the amount of \$76,830,000 to refinance existing debt and to finance capital expansion (see Note 11).	75,462,969	75,667,969
2016 Bond Issue: The University issued Bonds in the amount of \$78,620,000 to refinance existing debt and to finance capital expansion (see Note 11).	71,345,000	72,515,000
2017 Bond Issue: The University issued Bonds in the amount of \$102,365,000 to refinance existing debt and to finance capital expansion (see Note 11).	82,550,000	86,170,000
The University obtained two loans totaling \$4,944,174 to finance the purchase of airplanes for use in the aviation program.	2,117,332	2,626,250
The University obtained a loan for \$15,000,000 to finance previous purchases of property in Riverside, California. The loan is secured by the properties purchased.	<u>11,111,212</u>	<u>11,962,298</u>
Total notes and bonds payable obligations	318,389,070	326,692,080
Unamortized bond premium	4,399,707	4,628,096
Cost of issuance	<u>(4,268,450)</u>	<u>(4,600,106)</u>
	<u>\$ 318,520,327</u>	<u>\$ 326,720,070</u>

See accompanying Notes to Consolidated Financial Statements.

NOTE 10 LONG-TERM DEBT (CONTINUED)

Future maturities under notes and bonds payable are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2025	\$ 8,661,565
2026	9,061,979
2027	9,461,031
2028	9,718,340
2029	9,712,106
Thereafter	271,774,049
Total Maturities	318,389,070
Unamortized Bond Premium	4,399,707
Cost of Issuance	(4,268,450)
Total	<u>\$ 318,520,327</u>

NOTE 11 REVENUE BONDS

2013 Issue

In May 2013, Lancer Plaza LLC obtained financing through the California Statewide Communities Development Authority (CSCDA). The amount loaned to Lancer Plaza LLC 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 LLC, secured by a pledge of certain gross revenues. The loan agreement requires the LLC 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%.

The LLC 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 LLC 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 1. The bonds mature on November 1, 2043.

A portion of the bonds is subject to early redemption at the option of the LLC on any date after November 1, 2023, together with accrued interest.

2014 Issue

In March 2014, the University obtained financing through the California Statewide Communities Development Authority (CSCDA). The amount loaned to the University was \$55,710,000, to be applied to the refinancing, construction, rehabilitation, and acquisition of educational facilities and equipment. The bonds are considered unconditional general obligations of the University, secured by a pledge of certain gross revenues. The loan agreement requires the University to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 3.5% to 6.375%.

NOTE 11 REVENUE BONDS (CONTINUED)

2014 Issue (Continued)

The University is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement, which is currently \$4,113,219, 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 May 1, 2014, the University 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 1. The bonds mature on November 1, 2043. A portion of the bonds is subject to early redemption at the option of the University on any date after November 1, 2023, together with accrued interest.

2015 Issue

In July 2015, the University obtained financing through the California Municipal Finance Authority (CMFA). The amount loaned to the University was \$76,830,000, to be applied to the refinancing, construction, rehabilitation, and acquisition of educational facilities and equipment. The bonds are considered unconditional general obligations of the University, secured by a pledge of certain gross revenues. The loan agreement requires the University to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 3.5% to 5.5%.

The University is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement, which is currently \$7,683,000, which represents an amount equal to the least of: (1) 125% of the average annual debt service on the bonds outstanding, (2) 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, or (3) 10% of the principal amount of the bonds outstanding.

Commencing in July 2015, the University must make monthly deposits 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 1. The bonds mature on November 1, 2045. A portion of the bonds is subject to early redemption at the option of the University on any date after November 1, 2025, together with accrued interest.

2016 Issue

In November 2016, the University obtained financing through the California Municipal Finance Authority (CMFA). The amount loaned to the University was \$78,620,000, to be applied to the refinancing, construction, rehabilitation, and acquisition of educational facilities and equipment. The bonds are considered unconditional general obligations of the University, secured by a pledge of certain gross revenues. The loan agreement requires the University to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 4% to 5%.

NOTE 11 REVENUE BONDS (CONTINUED)

2016 Issue (Continued)

The University is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement, which is currently \$6,842,686, which represents an amount equal to the least of: (1) 125% of the average annual debt service on the bonds outstanding, (2) 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, or (3) 10% of the principal amount of the bonds outstanding.

Commencing in December 2016, the University must make monthly deposits 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 1. The bonds mature on November 1, 2046. A portion of the bonds is subject to early redemption at the option of the University on any date after November 1, 2026, together with accrued interest.

2017 Issue

In September 2017, the University obtained financing through the California Statewide Communities Development Authority (CSCDA). The amount loaned to the University was \$102,365,000, to be applied to refinance the 2007 and 2011 bond issues. The bonds are considered unconditional general obligations of the University, secured by real property and a pledge of certain gross revenues. The loan agreement requires the University to comply with various covenants, conditions, and restrictions, including maintaining certain financial ratios. The bonds bear interest rates ranging from 3% to 5%.

The University is required to maintain in a bond reserve cash account an amount equal to the bond reserve requirement, which is currently \$7,686,500 which represents an amount equal to the least of: (1) 125% of the average annual debt service on the bonds outstanding, (2) 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, or (3) 10% of the principal amount of the bonds outstanding.

Commencing in October 2017, the University must make monthly deposits 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 1. The bonds mature on November 1, 2041. A portion of the bonds is subject to early redemption at the option of the University on any date after November 1, 2027, together with accrued interest.

Premium

Bonds payable are reported on the statement of financial position, including a premium of \$4,399,707 and \$4,628,096, as of June 30, 2024 and 2023, respectively. The premium is being amortized over the life of the bonds. The amount of premium amortized and recorded as an offset against interest expense was \$228,389 for both of the years ended June 30, 2024 and 2023.

NOTE 11 REVENUE BONDS (CONTINUED)

Debt Issuance Costs

In connection with the issuance of debt as described above, the University has incurred certain costs which are recorded as a reduction and amortized to interest expense over the term of the associated debt or written off to expense if the debt is refunded. Amortization of debt issue costs recorded to interest expense for the years ended June 30, 2024 and 2023 was \$331,656 and \$339,700, respectively.

NOTE 12 SUPPLEMENTAL DISCLOSURES FOR CASH AND CASH FLOWS

SUPPLEMENTAL CASH FLOW DISCLOSURES

	2024	2023
Cash Paid for Interest, Net of Capitalized Interest:		
California Baptist University	\$ 15,085,134	\$ 15,604,563
Lancer Plaza LLC	1,553,856	1,589,347
Consolidated	<u>\$ 16,638,990</u>	<u>\$ 17,193,910</u>
Depreciation Expense:		
California Baptist University	\$ 23,084,897	\$ 22,289,209
Lancer Plaza LLC	637,038	634,905
Consolidated	<u>\$ 23,721,935</u>	<u>\$ 22,924,114</u>
Reconciliation of Cash and Cash Equivalents:		
Cash and Cash Equivalents	\$ 53,709,553	\$ 75,396,045
Cash Restricted for Bond Debt Service Reserves	28,609,474	28,609,474
Total Cash and Cash Equivalents	<u>\$ 82,319,027</u>	<u>\$ 104,005,519</u>

For the purpose of the consolidated 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 do not include endowment fund investments.

NOTE 13 SUPPLEMENTAL DEBT SERVICE DISCLOSURES

Debt Service Payments

Per the University's board policy, annual debt payments are limited to 15% or less of the annual gross income without donor restriction. This does not include operating lines of credit, short-term loans, or loans that can be paid back within three years out of regular reserves. The debt service payment and gross income without donor restriction for June 30, 2024 was \$20,690,105 and \$394,522,426, respectively, resulting in a ratio of 5.2%. The debt service payment and gross income without donor restriction for June 30, 2023 was \$20,458,277 and \$375,344,653, respectively, resulting in a ratio of 5.5%.

NOTE 14 LIFE ESTATE GIFT

In July 2022, the University received a gift of real property in Riverside California with a life estate reserved to the donor. As of June 30, 2024, the University has reported the real property as a real estate investment, recorded at fair market value at the time of the gift in the amount of \$5,300,000. A corresponding liability has been reported with deposits and deferred revenue in the statement of financial position for the value of the life estate to the donor in the amount of \$2,513,890. The liability was calculated assuming a 25 year life expectancy, one percent (1%) annual appreciation on the value of the property, and a three percent (3%) present value discount rate. The difference between the asset value and the liability has been reported in the statement of activities as contribution revenue with donor restrictions in the amount of \$2,786,110.

NOTE 15 EMPLOYEE RETIREMENT PLAN

The University has a contributory annuity plan (IRC 403(b)) covering all full-time employees who have completed service requirements and are at least 21 years of age. Contributions by employees are voluntary. For June 30, 2024 and 2023, the University had 975 and 929 participants, respectively, in the plan. The University's funding of the plan for June 30, 2024 and 2023 was \$6,480,781 and \$6,154,242, respectively.

NOTE 16 CONDITIONAL ASSET RETIREMENT OBLIGATION

The University has a conditional asset retirement obligation related to asbestos and other hazardous material in the James Building. Regulations have been put into place after the construction of the building that require the University to handle and dispose of this type of material in a special manner if the building undergoes major renovations, is sold, or demolished. Otherwise, the University is not required to remove the materials from the building.

The University believes it does not have sufficient information to estimate the fair value of the asset retirement obligation because the settlement date or the range of potential settlement dates has not been specified by others and information is not available to apply an expected present value technique. Furthermore, management believes the potential cost of removing the materials is immaterial to the financial statements.

There are no plans or expectations of plans to undertake major renovations of the areas of the building that would require removal of the materials or demolition of the building. The James Building is considered to be an important historical part of the University and is expected to be maintained by repairs and maintenance activities that would not involve the removal of the materials. Also, the need for major renovations caused by technology changes, operational changes, or other factors has not been identified.

NOTE 17 LANCER EDUCATIONAL HOUSING CORPORATION

Lancer Educational Housing Corporation (LEHC) is a California nonprofit corporation organized and operated to provide student housing and auxiliary facilities. It is an exempt organization described in Section 501(c)(3) of the Internal Revenue Code. The board of LEHC is comprised of two University employees and three other unrelated persons. LEHC is the sole member of two property holding LLCs: Lancer Educational Housing LLC (LEH LLC) and Lancer Plaza LLC. Each LLC intends to maintain, operate, and manage the facilities principally for the use and benefit of the students of the University.

LEH LLC does not own the fee title to the land upon which its facilities are located; LEH LLC has a ground leasehold interest, pursuant to a Ground Lease between LEH LLC and the University. The term of the Ground Lease ends on November 15, 2051, except as to the portion of the premises identified as Magnolia Crossings, which ends on June 1, 2056. The title to the facilities and any other improvements that may be constructed by LEH LLC during the lease term are vested in LEH 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 LEH LLC an amount equal to the greater 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).

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 term of the Facilities Lease ends on June 30, 2043.

The University has elected not to consolidate LEHC or LEH LLC into these financial statements based upon the relationship between the entities. However, because of the nature of the lease between the University and Lancer Plaza LLC, Lancer Plaza LLC's financial statements have been consolidated into these financial statements.

NOTE 17 LANCER EDUCATIONAL HOUSING CORPORATION (CONTINUED)

The assets, liabilities, net assets, and change in net assets of LEH LLC as of and for the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u> <u>LEH LLC</u>	<u>2023</u> <u>LEH LLC</u>
Assets:		
Cash and Cash Equivalents	\$ 25,309,201	\$ 22,774,607
Accounts Receivable - Related Party	3,426,377	1,272,455
Cash Restricted for Bond Reserves	10,440,084	10,440,084
Property, Plant, and Equipment, Net	139,182,653	142,325,035
Total Assets	<u>\$ 178,358,315</u>	<u>\$ 176,812,181</u>
Liabilities:		
Accrued Liabilities - Related Party	\$ 11,315,372	\$ 7,030,222
Accrued Liabilities	582,575	592,242
Deferred Revenue	201,898	196,677
Bonds Payable	145,138,952	148,220,329
Total Liabilities	<u>157,238,797</u>	<u>156,039,470</u>
Net Assets:		
Net Assets Without Donor Restriction	<u>21,119,518</u>	<u>20,772,711</u>
Total Liabilities and Net Assets	<u>\$ 178,358,315</u>	<u>\$ 176,812,181</u>
Revenues	\$ 25,320,758	\$ 24,800,818
Expenses	(24,973,951)	(21,009,741)
Change in Net Assets	<u>\$ 346,807</u>	<u>\$ 3,791,077</u>

NOTE 18 RELATED PARTY TRANSACTIONS

The University has a direct financing capital lease with LEH LLC for certain buildings. This lease coincides with a ground lease (see note 16) that expires in 2051. All amounts under the lease have been prepaid and therefore there are no future minimum future lease payments to be received.

The University collected fees from LEHC for managing the housing property for the years ended June 30, 2024 and 2023 in the amount of \$1,815,903 and \$1,086,124, respectively. The University also has a contingent operating expense agreement by which the expenses related to the facilities are paid for by the University and reimbursed by LEHC. At June 30, 2024 and 2023, the University had accounts receivable from LEHC in the amount of \$11,315,372 and \$7,030,222, respectively. At June 30, 2024 and 2023, the University had accounts payable to LEHC in the amount of \$3,426,377 and \$1,272,455, respectively.

The University also leased office space from Lancer Educational Housing LLC during the years ended June 30, 2024 and 2023. Lease expense related to these for the years ended June 30, 2024 and 2023 was \$2,123,687 and \$2,070,850, respectively.

NOTE 18 RELATED PARTY TRANSACTIONS (CONTINUED)

The University has a ground lease with Lancer Plaza LLC for \$5,000 for the entire term of the lease (see Note 17). The University also leased building space from Lancer Plaza LLC and CBU Hemet LLC. The revenue and expense resulting from these leases has been eliminated through the consolidation process. Total lease revenue and expense eliminated for the years ended June 30, 2024 and 2023 was \$3,431,485 and \$3,388,197, respectively.

NOTE 19 LINE OF CREDIT

The University has a revolving line of credit for \$15,000,000 from California Bank and Trust. The interest rate is 1.95% above the 90-day AMERIBOR rate. The note matures on November 20, 2024. There was no outstanding balance at June 30, 2024 and June 30, 2023.

NOTE 20 COMMITMENTS AND CONTINGENCIES

The University is subject to various claims for damages that arise in the normal course of business. The outcomes of these claims is currently unknown, therefore, no estimation of losses can be made at this time.

NOTE 21 FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort; occupancy, which is allocated on the basis of facility usage; and property related expenses, depreciation, and interest, which are allocated based on the University's total functional expense percentages excluding these three categories.

CALIFORNIA BAPTIST UNIVERSITY
SUPPLEMENTARY SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2024

ASSETS	California Baptist University	Lancer Plaza LLC	Hemet LLC	3501 Adams LLC	Eliminations	Consolidated Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 52,000,254	\$ 1,697,425	\$ -	\$ 11,874	\$ -	\$ 53,709,553
Investments	49,787,257	-	-	-	-	49,787,257
Accounts Receivable - Students	9,619,069	-	-	-	-	9,619,069
Less: Allowance for Doubtful Accounts	(2,077,075)	-	-	-	-	(2,077,075)
Accounts Receivable - Other, Net	919,663	-	-	-	-	919,663
Accounts Receivable - Related Parties	10,088,367	1,227,005	-	-	-	11,315,372
Intercompany Receivable	7,087,607	-	3,890,377	-	(10,977,984)	-
Pledges Receivable, Current Portion	1,197,884	-	-	-	-	1,197,884
Inventories	926,278	-	-	-	-	926,278
Prepaid Expenses and Other Assets	4,013,700	-	-	-	(199,856)	3,813,844
Total Current Assets	<u>133,563,004</u>	<u>2,924,430</u>	<u>3,890,377</u>	<u>11,874</u>	<u>(11,177,840)</u>	<u>129,211,845</u>
LONG-TERM ASSETS						
Cash Restricted for Bond Debt Service Reserves	26,325,405	2,284,069	-	-	-	28,609,474
Pledges Receivable, Net of Current Portion	175,550	-	-	-	-	175,550
Security Deposit	-	250,000	-	-	(250,000)	-
Notes Receivable	2,731,494	-	-	-	-	2,731,494
Right of Use Asset - Operating	85,892,058	-	-	-	(36,206,050)	49,686,008
Right of Use Asset - Financing	524,226	-	-	-	-	524,226
Total Long-Term Assets	<u>115,648,733</u>	<u>2,534,069</u>	<u>-</u>	<u>-</u>	<u>(36,456,050)</u>	<u>81,726,752</u>
LONG-TERM INVESTMENTS						
Debt, Equity, and Alternative Investments	107,947,466	-	-	-	-	107,947,466
Investment in Subsidiaries	(279,753)	-	-	-	279,753	-
Real Estate	5,391,295	-	-	-	-	5,391,295
Total Long-Term Investments	<u>113,059,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>279,753</u>	<u>113,338,761</u>
PROPERTY, PLANT, AND EQUIPMENT, at Cost						
Land	34,430,895	-	1,152,750	-	-	35,583,645
Land Improvements	40,131,364	-	2,627,255	-	-	42,758,619
Buildings	281,163,803	29,502,931	3,950,545	1,659,249	(4,106,701)	312,169,827
Building Improvements	82,167,589	-	678,100	-	-	82,845,689
Leasehold Improvements	47,776,476	-	-	-	-	47,776,476
Equipment and Furniture	84,768,805	42,654	6,410	-	-	84,817,869
Vehicles	11,081,229	-	-	-	-	11,081,229
Construction-in-Progress	22,750,396	-	-	-	-	22,750,396
Less: Accumulated Depreciation	(228,777,696)	(8,238,365)	(2,669,666)	(62,222)	1,180,677	(238,567,272)
Total Property, Plant, and Equipment	<u>375,492,861</u>	<u>21,307,220</u>	<u>5,745,394</u>	<u>1,597,027</u>	<u>(2,926,024)</u>	<u>401,216,478</u>
Total Assets	<u>\$ 737,763,606</u>	<u>\$ 26,765,719</u>	<u>\$ 9,635,771</u>	<u>\$ 1,608,901</u>	<u>\$ (50,280,161)</u>	<u>\$ 725,493,836</u>

See the Independent Auditors' Report.

CALIFORNIA BAPTIST UNIVERSITY
SUPPLEMENTARY SCHEDULE OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2024

LIABILITIES	California Baptist University	Lancer Plaza LLC	Hemet LLC	3501 Adams LLC	Eliminations	Consolidated Total
CURRENT LIABILITIES						
Accounts Payable	\$ 8,338,006	\$ -	\$ -	\$ -	\$ -	\$ 8,338,006
Accrued Liabilities	9,353,740	-	9,832	-	-	9,363,572
Accrued Interest Payable	2,024,608	504,277	-	-	-	2,528,885
Funds Held in Custody for Others	736,782	-	-	-	-	736,782
Amounts Due to Related Parties	3,426,377	-	-	-	-	3,426,377
Intercompany Payable	3,890,377	661,126	4,766,852	1,659,629	(10,977,984)	-
Deposits and Deferred Revenue	18,636,997	209,384	89,835	-	(449,856)	18,486,360
Notes Payable	1,427,342	-	139,533	-	-	1,566,875
Operating Lease Liability	5,515,457	-	-	-	(2,251,524)	3,263,933
Financing Lease Liability	80,831	-	-	-	-	80,831
Bonds Payable	6,065,777	699,303	-	-	-	6,765,080
Total Current Liabilities	59,496,294	2,074,090	5,006,052	1,659,629	(13,679,364)	54,556,701
LONG-TERM LIABILITIES						
Notes Payable	11,801,202	-	4,253,024	-	-	16,054,226
Operating Lease Liability	80,603,035	-	-	-	(33,954,527)	46,648,508
Financing Lease Liability	477,779	-	-	-	-	477,779
Bonds Payable	268,836,797	25,297,349	-	-	-	294,134,146
Federal Student Loan Funds	2,605,681	-	-	-	-	2,605,681
Total Long-Term Liabilities	364,324,494	25,297,349	4,253,024	-	(33,954,527)	359,920,340
NET ASSETS						
Without Donor Restriction	191,548,715	(605,720)	376,695	(50,728)	(2,646,270)	188,622,692
With Donor Restriction	122,394,103	-	-	-	-	122,394,103
Total Net Assets	313,942,818	(605,720)	376,695	(50,728)	(2,646,270)	311,016,795
Total Liabilities and Net Assets	<u>\$ 737,763,606</u>	<u>\$ 26,765,719</u>	<u>\$ 9,635,771</u>	<u>\$ 1,608,901</u>	<u>\$ (50,280,161)</u>	<u>\$ 725,493,836</u>

See the Independent Auditors' Report.

CALIFORNIA BAPTIST UNIVERSITY
SUPPLEMENTARY SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	California Baptist University	Lancer Plaza LLC	Hemet LLC	3501 Adams LLC	Intercompany Eliminations	Consolidated Total
OPERATING REVENUES								
Student Tuition and Fees (net of Tuition Discounts of \$126,100,082)	\$ 227,232,531	\$ -	\$ 227,232,531	\$ -	\$ -	\$ -	\$ -	\$ 227,232,531
Sales and Service	23,218,805	-	23,218,805	-	-	-	-	23,218,805
Private Gifts	2,235,423	2,365,702	4,601,125	-	-	-	-	4,601,125
Grants and Contracts	-	3,910,981	3,910,981	-	-	-	-	3,910,981
Cooperative Program	105,262	-	105,262	-	-	-	-	105,262
Investment Return	-	62,257	62,257	-	-	-	-	62,257
Net Unrealized Gain (Loss) on Investments	-	26,615	26,615	-	-	-	-	26,615
Interest Income	1,918,012	41,695	1,959,707	208,387	-	-	-	2,168,094
Other	10,769,880	-	10,769,880	2,404,337	972,596	60,620	(3,437,551)	10,769,882
Total Revenues	265,479,913	6,407,250	271,887,163	2,612,724	972,596	60,620	(3,437,551)	272,095,552
Net Assets Released from Restrictions - Operating	9,237,017	(9,237,017)	-	-	-	-	-	-
TOTAL OPERATING REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS	274,716,930	(2,829,767)	271,887,163	2,612,724	972,596	60,620	(3,437,551)	272,095,552
OPERATING EXPENSES								
Program Activities:								
Instruction	110,373,599	-	110,373,599	1,376,627	364,674	49,810	(1,472,567)	110,692,143
Academic Support	10,309,843	-	10,309,843	128,588	34,064	4,653	(137,550)	10,339,598
Research	2,330,412	-	2,330,412	-	-	-	-	2,330,412
Student Services	67,009,896	-	67,009,896	835,777	219,472	29,978	(894,023)	67,201,100
Scholarships and Fellowships	412,000	-	412,000	-	-	-	-	412,000
Auxiliary Expenditures	23,812,016	-	23,812,016	-	82,150	11,220	(317,692)	23,587,694
Management and Support Activities:								
Institutional Support	53,845,510	-	53,845,510	-	176,357	24,089	(718,388)	53,327,568
Development and Fundraising Expenses	4,814,919	-	4,814,919	-	-	-	-	4,814,919
Total Operating Expenses	272,908,195	-	272,908,195	2,340,992	876,717	119,750	(3,540,220)	272,705,434
CHANGE IN OPERATING NET ASSETS	\$ 1,808,735	\$ (2,829,767)	\$ (1,021,032)	\$ 271,732	\$ 95,879	\$ (59,130)	\$ 102,669	\$ (609,882)

See the Independent Auditors' Report.

CALIFORNIA BAPTIST UNIVERSITY
SUPPLEMENTARY SCHEDULE OF ACTIVITIES (CONTINUED)
YEAR ENDED JUNE 30, 2024

	Net Assets Without Donor Restriction	Net Assets With Donor Restriction	California Baptist University	Lancer Plaza LLC	Hemet LLC	3501 Adams LLC	Intercompany Eliminations	Consolidated Total
NONOPERATING ACTIVITIES								
Long-Term Investment Activities:								
Investment Income on Endowments	\$ 2,101,307	\$ 4,864,249	\$ 6,965,556	\$ -	\$ -	\$ -	\$ -	\$ 6,965,556
Net Appreciation on Endowments	841,124	9,784,623	10,625,747	-	-	-	-	10,625,747
Total Long-Term Investment Activities	2,942,431	14,648,872	17,591,303	-	-	-	-	17,591,303
Contributions - Capital Giving and Endowments	-	5,922,253	5,922,253	-	-	-	-	5,922,253
Gain/Loss from Disposals of Capital Assets	(29,280)	-	(29,280)	-	-	-	-	(29,280)
Gain/(Loss) from Ownership in Subsidiary	(279,753)	-	(279,753)	-	-	-	279,753	-
Endowment Matching Reclassifications	(4,411,013)	4,411,013	-	-	-	-	-	-
Net Assets Released from Restrictions - Nonoperating	360	(360)	-	-	-	-	-	-
INCREASE (DECREASE) IN NONOPERATING NET ASSETS	(1,777,255)	24,981,778	23,204,523	-	-	-	279,753	23,484,276
INCREASE (DECREASE) IN TOTAL NET ASSETS	31,480	22,152,011	22,183,491	271,732	95,879	(59,130)	382,422	22,874,394
Net Assets, Beginning of Year	191,517,235	100,242,092	291,759,327	(877,452)	280,816	8,402	(3,028,692)	288,142,401
NET ASSETS, END OF YEAR	\$ 191,548,715	\$ 122,394,103	\$ 313,942,818	\$ (605,720)	\$ 376,695	\$ (50,728)	\$ (2,646,270)	\$ 311,016,795

See the Independent Auditors' Report.

CALIFORNIA BAPTIST UNIVERSITY
SUPPLEMENTAL SCHEDULE – FINANCIAL RESPONSIBILITY
CALCULATION SUPPLEMENTARY COMPONENTS
YEAR ENDED JUNE 30, 2024

Primary Reserve Ratio:			
		Expendable Net Assets:	
1	Statement of Financial Position (SFP)	Net assets without donor restrictions	\$ 188,622,692
2	SFP	Net assets with donor restrictions	\$ 122,394,103
3	Supplemental Disclosure (SD) Line 1		\$ 87,527,099
		Net assets restricted in perpetuity	
4	SD Line 20	Unsecured related-party receivable	\$ 11,315,372
5	SD Line 2d	Donor restricted annuities, term endowments, life income funds	\$ -
6	SD Line 3d	Property, plant, and equipment pre-implementation	\$ 297,722,517
7	SD Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	\$ -
8	SD Line 5	Construction in progress purchased with long-term debt	\$ 20,466,701
9	SD Line 35	Post-implementation property, plant, and equipment, net, acquired without debt	\$ 83,027,260
10	SD Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	\$ -
11	SD Line 15	Lease right-of-use asset, post-implementation	\$ 50,210,234
12	SFP	Intangible assets	\$ -
13	SFP	Post-employment and pension liabilities	\$ 3,843,719
14	SD Line 8d	Long-term debt - for long-term purposes pre-implementation	\$ 314,127,770
15	SD Line 9d	Long-term debt - for long-term purposes post-implementation	\$ -
16	SD Line 10	Line of credit for construction in progress	\$ -
17	SD Line 17	Pre-implementation right-of-use asset liability	\$ -
18	SD Line 18	Post-implementation right-of-use asset liability	\$ 50,471,051
		Total Expenses and Losses:	
19	Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	\$ 272,705,434
20	SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	\$ -
21	SD Line 22	Sale of fixed assets (if loss)	\$ 29,280
22	SOA	Change in value of interest-rate swap agreements (if loss)	\$ -
Equity Ratio:			
		Modified Net Assets:	
23	SFP	Net assets without donor restrictions	\$ 188,622,692
24	SFP	Net assets with donor restrictions	\$ 122,394,103
25	SFP	Intangible assets	\$ -
26	SD Line 20	Unsecured related-party receivables	\$ 11,315,372
		Modified Assets:	
27	SFP	Total assets	\$ 725,493,836
28	SD Line 14	Lease right-of-use asset pre-implementation	\$ -
29	SFP	Intangible assets	\$ -
30	SD Line 20	Unsecured related-party receivables	\$ 11,315,372
Net Income Ratio:			
31	SOA	Change in Net Assets Without Donor Restrictions	\$ 722,383
		Total Revenues and Gains Without Donor Restriction:	
32	SOA	Total operating revenue (including net assets released from restrictions)	\$ 274,925,319
33	SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	\$ 4,860,443
34	SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	\$ -
35	SOA	Pension-related changes other than net periodic pension costs (if gain)	\$ -
36	SOA	Change in value of annuity agreement (typically in nonoperating)	\$ -
37	SOA	Change in value of interest-rate swap agreements (if gain)	\$ -
38	SD Line 25	Sale of fixed assets (if gain)	\$ -
39	SOA	Other gains	\$ -

See the Independent Auditors' Report.

CALIFORNIA BAPTIST UNIVERSITY

SUPPLEMENTAL DISCLOSURES – U.S. DEPARTMENT OF EDUCATION

YEAR ENDED JUNE 30, 2024

The Department of Education issued regulations on February 23, 2019, which became effective July 1, 2020, regarding additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

Net Assets	
1 Net assets with donor restrictions: restricted in perpetuity	\$ 87,527,099
2 Other net assets with donor restrictions (not restricted in perpetuity):	
a. Annuities with donor restrictions	\$ -
b. Term endowments	-
c. Life income funds (trusts)	-
d. Total annuities, term endowments, and life income funds with donor restrictions	<u>\$ -</u>
Property, Plant, and Equipment, net	
3 Pre-implementation property, plant, and equipment, net	
a. Ending balance of last financial statements submitted to and accepted by the Department of Education (June 30, 2023, financial statement)	\$ 323,414,100
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard	-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)	<u>(25,691,583)</u>
d. Balance pre-implementation property, plant, and equipment, net	297,722,517
4 Debt financed post-implementation property, plant, and equipment, net	
Long-lived assets acquired with debt subsequent to June 30, 2019:	
a. Equipment	-
b. Land improvements	-
c. Building	-
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months	<u>-</u>
5 Construction in progress - acquired subsequent to June 30, 2019	20,466,701
6 Post-implementation property, plant, and equipment, net, acquired without debt:	
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019	83,027,260
7 Total Property, Plant, and Equipment, net - June 30, 2024	<u>\$ 401,216,478</u>
Debt to be excluded from expendable net assets	
8 Pre-implementation debt:	
a. Ending balance of last financial statements submitted to the Department of Education (June 30, 2022):	\$ 322,194,507
b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.	-
c. Less subsequent debt repayments	<u>(8,066,737)</u>
d. Balance Pre-implementation Debt	314,127,770
9 Allowable post-implementation debt used for capitalized long-lived assets:	
a. Equipment - all capitalized	-
b. Land improvements	-
c. Buildings	-
d. Balance Post-implementation Debt	<u>-</u>
10 Construction in progress (CIP) financed with debt or line of credit	-
11 Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value	4,392,557
	<u>\$ 318,520,327</u>
Lease right-of-use assets and liabilities	
13 Lease right-of-use assets	
Right-of-use assets as of balance sheet date June 30, 2024	\$ 50,210,234
14 Lease right-of-use assets - Pre-implementation	
Right-of-use assets as of balance sheet date June 30, 2024, excluding leases entered into before December 15, 2018	\$ -
15 Lease right-of-use assets - Post-implementation	
Right-of-use assets as of balance sheet date June 30, 2024, excluding leases entered into on or after December 15, 2018	\$ 50,210,234
16 Lease right-of-use liability	
Lease liabilities as of balance sheet date June 30, 2024	\$ 50,471,051
17 Lease right-of-use liability - Pre-implementation	
Lease liabilities as of balance sheet date June 30, 2024, excluding leases entered into before December 15, 2018	\$ -
18 Lease right-of-use liability - Post-implementation	
Lease liabilities as of balance sheet date June 30, 2024, excluding leases entered into on or after December 15, 2018	\$ 50,471,051
Unsecured related-party receivables	
19 Secured related-party receivables	\$ -
20 Unsecured related party receivables	<u>11,315,372</u>
21 Total secured and unsecured related-party receivables	<u>\$ 11,315,372</u>
Sale of fixed assets (if loss)	
22 Loss on sale of fixed assets	\$ 29,280
23 Remaining balances in expense category in which loss on sale of assets is included on SOA	-
24 Expense category in which loss on sale of assets is included on SOA	<u>\$ 29,280</u>
Sale of fixed assets (if gain)	
25 Gain on sale of fixed assets	\$ -
26 Remaining balances in nonoperating other income category in which gain on sale of assets is included on SOA	-
27 Other income category in which gain on sale of assets is included on SOA	<u>-</u>

See the Independent Auditors' Report.

