



CHAPMAN UNIVERSITY AND AFFILIATES

Consolidated Financial Statements

May 31, 2025

(With Comparative Financial Information as of May 31, 2024)

(With Independent Auditors' Report Thereon)

CHAPMAN UNIVERSITY AND AFFILIATES

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Independent Auditors' Report

The Board of Trustees
Chapman University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Chapman University and Affiliates (the University), which comprise the consolidated statement of financial position as of May 31, 2025, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of May 31, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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 consolidated 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 U.S. generally accepted accounting principles, 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 for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated 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.

Report on Summarized Comparative Information

We have previously audited the University's 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 19, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2025, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Irvine, California
September 26, 2025

CHAPMAN UNIVERSITY AND AFFILIATES

Consolidated Statements of Financial Position

May 31, 2025

(with comparative financial information as of May 31, 2024)

(In thousands)

Assets	2025	2024
Assets:		
Cash, cash equivalents, and restricted cash	\$ 144,396	148,327
Accounts receivable, less allowance for doubtful accounts of \$1,043 and \$1,046 in 2025 and 2024, respectively	9,303	9,540
Inventories, prepaid and other deposits	24,610	14,751
Contributions receivable, net (note 4)	59,052	60,992
Notes receivable, less allowance for doubtful notes of \$468 and \$452 in 2025 and 2024, respectively	100,751	103,449
Investments (note 2)	916,305	810,550
Plant assets, net (note 5)	1,119,170	1,131,632
Total assets	<u>\$ 2,373,587</u>	<u>2,279,241</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 55,264	54,947
Deferred revenues and student deposits	22,241	22,890
Bonds and notes payable (note 6)	436,339	456,947
Annuities payable	1,193	1,003
Other liabilities	10,785	8,999
Total liabilities	<u>525,822</u>	<u>544,786</u>
Net assets:		
Without donor restrictions (note 12)	1,371,938	1,300,857
With donor restrictions (note 12)	475,827	433,598
Total net assets	<u>1,847,765</u>	<u>1,734,455</u>
Total liabilities and net assets	<u>\$ 2,373,587</u>	<u>2,279,241</u>

See accompanying notes to consolidated financial statements.

CHAPMAN UNIVERSITY AND AFFILIATES

Consolidated Statements of Activities

Year ended May 31, 2025

(with summarized financial information for the year ended May 31, 2024)

(In thousands)

	2025			2024 Total
	Without donor restriction	With donor restriction	Total	
Revenues, gains, and other support:				
Net tuition and fees (net of student financial aid of \$212,221 and \$206,056 in 2025 and 2024, respectively)	\$ 368,128	—	368,128	364,443
Endowment returns designated for operations	7,826	7,788	15,614	13,704
Other investment income	9,208	415	9,623	13,862
Private gifts and bequests	11,581	25,126	36,707	33,809
Grants and contracts	22,503	—	22,503	21,618
Auxiliary enterprises	68,019	—	68,019	63,714
Other sources	7,198	122	7,320	7,467
	<u>126,335</u>	<u>33,451</u>	<u>159,786</u>	<u>154,174</u>
Net assets transferred or released from donor restrictions	13,578	(13,578)	—	—
Total revenues, gains, and other support	<u>508,041</u>	<u>19,873</u>	<u>527,914</u>	<u>518,617</u>
Expenses:				
Educational and general:				
Instruction	242,629	—	242,629	239,690
Academic support	57,198	—	57,198	57,411
Student services	50,363	—	50,363	47,997
General institutional support	78,346	—	78,346	81,742
Total educational and general expenses	<u>428,536</u>	<u>—</u>	<u>428,536</u>	<u>426,840</u>
Auxiliary enterprises	49,043	—	49,043	46,217
Total expenses	<u>477,579</u>	<u>—</u>	<u>477,579</u>	<u>473,057</u>
Increase from operating activities	<u>30,462</u>	<u>19,873</u>	<u>50,335</u>	<u>45,560</u>
Nonoperating activities:				
Endowment returns, net of designation for operations	32,872	21,468	54,340	84,243
Other-non-operating activity	7,747	888	8,635	(7,526)
Increase from nonoperating activities	<u>40,619</u>	<u>22,356</u>	<u>62,975</u>	<u>76,717</u>
Change in net assets	71,081	42,229	113,310	122,277
Net assets, beginning of year	<u>1,300,857</u>	<u>433,598</u>	<u>1,734,455</u>	<u>1,612,178</u>
Net assets, end of year	\$ <u>1,371,938</u>	<u>475,827</u>	<u>1,847,765</u>	<u>1,734,455</u>

See accompanying notes to consolidated financial statements.

CHAPMAN UNIVERSITY AND AFFILIATES

Consolidated Statements of Cash Flows

Year ended May 31, 2025

(with comparative financial information for the year ended May 31, 2024)

(In thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 113,310	122,277
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions and transfers of property, life insurance policies, and investments	1,312	(2,935)
Proceeds from sale of gifts of investments	3,291	1,610
Contributions restricted for long-term investment	(24,694)	(8,627)
Net realized and unrealized gains on investments	(62,414)	(90,598)
Depreciation	46,697	47,055
Actuarial loss on annuity obligations	705	436
Amortization of premiums on bonds payable	138	(1,727)
Changes in operating assets and liabilities:		
Accounts receivable	(1,706)	(1,130)
Other assets	(9,859)	1,162
Contributions receivable	1,940	(7,903)
Accounts payable, accrued liabilities, and other liabilities	1,455	(2,618)
Annuities payable	(516)	(561)
Net cash provided by operating activities	69,659	56,441
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	164,951	460,393
Purchases of investments	(208,320)	(504,382)
Purchases of plant assets	(34,236)	(46,002)
Net disbursements/repayments of loans to students	66	91
Net cash used in investing activities	(77,539)	(89,900)
Cash flows from financing activities:		
Proceeds from issuance of bonds or notes payable	84,620	—
Proceeds from contributions restricted for long-term investments	24,694	8,627
Payments of notes and bonds payable	(105,365)	(45,775)
Net cash provided by (used in) financing activities	3,949	(37,148)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(3,931)	(70,607)
Cash, cash equivalents, and restricted cash at beginning of year	148,327	218,934
Cash, cash equivalents, and restricted cash at end of year	\$ 144,396	148,327
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amounts capitalized of \$0 for 2025 and 2024	\$ 15,468	17,179
Supplemental schedules of noncash investing and financing activities:		
Contributions of life insurance policies	\$ 19	25
Contributions of and transfers to/from investments	(2,401)	1,611
Contributions of property for plant assets	1,070	1,299

See accompanying notes to consolidated financial statements.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

(1) Summary of Significant Accounting Policies and Other Matters

(a) Organization

Chapman University and its consolidated affiliates, which include Chapman University Charitable Giving LLC, Chapman University Enterprises, Inc., Chapman Bond Guarantor, LLC, 16355 Laguna Canyon Road, LLC, and Chapman University Foundation (collectively, the University), is a not-for-profit coeducational institution of higher learning and taxable corporation primarily located in Orange County, California.

(b) Basis of Accounting

The accompanying consolidated financial statements are presented using the accrual basis of accounting.

(c) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Chapman University and its affiliates. All significant intercompany balances and transactions have been eliminated in consolidation.

(d) Donor-Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor-restricted support. When restrictions are met, net assets with donor restriction are reclassified to without donor restriction net assets and recorded as net assets released from restrictions in the accompanying consolidated statement of activities. Donor-restricted contributions whose restrictions are met within the fiscal year received are reported as support without donor restriction.

(e) Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded as contributions receivable at their estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded as a contribution receivable at the present value of their estimated future cash flows. The discounts on those amounts are computed using a rate that is commensurate with the risks involved and applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are met.

(f) Cash, Cash Equivalents, and Restricted Cash

The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents, except for those that have been purchased with donor-restricted funds or designated by the University as endowments, which are considered to be long-term investments and restricted cash.

Amounts included in restricted cash represent those required to be set aside by an agreement with donors restricted for specific projects or purposes which range from construction to loan funds.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position and statement of cash flows (in thousands).

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 112,335	120,291
Restricted cash	<u>32,061</u>	<u>28,036</u>
Total cash, cash equivalents and restricted cash	<u>\$ 144,396</u>	<u>148,327</u>

(g) Plant Assets

Plant assets are stated at cost or estimated fair value at date of donation, net of accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of buildings and improvements (15 to 40 years) and equipment (three to 10 years).

Contributed plant assets are recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions and are reclassified to net assets without donor restrictions when the stipulation ends. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

(h) Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. During 2025, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

(i) Investment Valuation

In accordance with U.S. generally accepted accounting principles, the University reports investments at fair value based upon a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level I Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level II Inputs of other than that quoted prices included in Level I that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level III Inputs are unobservable for the asset or liability. Unobservable inputs reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

(j) Net Tuition and Fees and Auxiliary Enterprises

Tuition and fees and auxiliary enterprises revenues are recognized in accordance with ASC 606, Revenue from Contracts with Customers. The University applies the portfolio approach, which approximates the revenue that would be recognized by the individual contract approach. In connection with these contracts, the University has an obligation to provide instruction, access to various student facilities and dining services. Tuition and fees and auxiliary enterprises are generally collected in advance or over the course of the respective term with the revenue earned over the same term as the University's performance obligations are satisfied. Scholarship allowance represents a reduction in the consideration collected from students reflective of discounts as well as the use of donor contributions designated to reduce the amounts collected directly from students. "Net tuition and fees" and auxiliary enterprises represent the cumulative transaction price reflective of ASC 606. Student tuition and fees and auxiliary enterprises received in advance of the corresponding revenue recognition are reported as customer contract liabilities in "Deferred revenues and student deposits."

(k) Income Taxes

The University and affiliates, with the exception of Chapman University Enterprise, Inc., Chapman Bond Guarantor, LLC, and 16355 Laguna Canyon Road, LLC are exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and are generally not subject to federal or state income taxes. However, the University is subject to income taxes on any net income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements taken as a whole.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

(l) Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(m) Fund-Raising Expenses

The accompanying consolidated statements of activities include fund-raising expenses of \$20.3 million and \$20.6 million for the years ended May 31, 2025 and 2024, respectively, as a component of general institutional support.

(n) Comparative Data

The consolidated financial statements include prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation conformity with U.S. generally accepted accounting principles ("US GAAP"). Accordingly, such information should be read in conjunction with the University's consolidated financial statements as of and for the year ended May 31, 2024, from which the summarized information was derived.

(o) Functional Expenses

Expenses that can be specifically identified with a specific program or supporting service are charged directly to the related program or supporting service. Expenses that are associated with more than one program or supporting service are allocated based on an evaluation made by management.

(p) Reclassifications

The University has reclassified certain amounts relating to its prior period results to conform to its current year presentation. These reclassifications have not changed the results of operations of prior periods.

(q) Net Assets – Basis of Presentation

Net Assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. The definitions used to clarify and report net assets are as follows:

Net Assets without Donor Restrictions – Net assets that are not subject to donor imposed stipulations and are available for use in general operations or are part of what's invested in property, plant and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (i.e., specific purpose reserves or endowments).

Net Assets with Donor Restrictions – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the University or the passage of time or (2) that are to be permanently maintained by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

(r) Liquidity and Availability

The following table reflects the University's financial assets as May 31, 2025 and 2024, available for general expenditures within one year (in thousands). Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for nonoperating activities, amounts limited by the University's Board of Trustees and student loans receivable. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. For purposes of analyzing resources available to meet general expenditures over a one year period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

	<u>2025</u>	<u>2024</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 112,335	120,291
Accounts receivable, net	9,303	9,540
Current notes receivable, net	<u>9,025</u>	<u>4,575</u>
Total financial assets available to meet general expenditures over the next 12 months	\$ <u>130,663</u>	<u>134,406</u>

The University's governing board has designated a portion of its unrestricted resources for endowment and other purposes. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the board. At May 31, 2025, the following amounts were designated for specific purposes by the board (in thousands):

	<u>2025</u>	<u>2024</u>
Board-designated funds:		
Designated for endowment	\$ 533,814	462,603
Designated for capital assets	<u>110,331</u>	<u>135,062</u>
Total board-designated funds	\$ <u>644,145</u>	<u>597,665</u>

The University has the long-standing practice of reporting its monthly projected cash flows for the entire fiscal year to the Finance Committee of the Board of Trustees. This report is designed to ensure that at any time the University has a minimum of \$20.0 million in cash available to address unknown or urgent claims. Further, while it is not the intention of the Board of Trustees to spend the principal of its board-designated endowment, as of May 31, 2025 its market value was \$533.8 million and could be made available if necessary.

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

(2) Investments

Investments at May 31, 2025 and 2024 consist of the following (in thousands):

	2025	2024
Money market funds	\$ 53,184	21,583
Equities	319,863	298,304
Fixed income and mutual funds	80,189	75,943
Venture capital	76,393	68,059
Private equity	168,710	141,705
Mezzanine debt funds	7	139
Hedge funds	158,745	151,548
Real asset funds	56,633	50,705
Unitrust investments:		
Money market funds	78	395
Equities	1,250	1,013
Fixed income mutual funds	1,253	1,144
Real asset funds	—	12
Total investments	\$ 916,305	810,550

Investment income consisted of the following for the years ended May 31, 2025 and 2024 (in thousands):

		2025	
		Endowment	Other
			Total
Interest and dividends	\$	11,813	9,266
Realized and unrealized gains, net		62,057	357
Less investment expenses		(3,916)	—
Investment income, net	\$	69,954	9,623
Operating	\$	15,614	9,623
Nonoperating		54,340	—
Investment income, net	\$	69,954	9,623

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

	2024		
	Endowment	Other	Total
Interest and dividends	\$ 11,660	13,154	24,814
Realized and unrealized gains, net	89,890	708	90,598
Less investment expenses	<u>(3,603)</u>	<u>—</u>	<u>(3,603)</u>
Investment income, net	<u>\$ 97,947</u>	<u>13,862</u>	<u>111,809</u>
Operating	\$ 13,704	13,862	27,566
Nonoperating	<u>84,243</u>	<u>—</u>	<u>84,243</u>
Investment income, net	<u>\$ 97,947</u>	<u>13,862</u>	<u>111,809</u>

(3) Fair Value Measurements

The following tables summarize investment values by category of investment as of May 31, 2025 and 2024 (in thousands). Investments measured at net asset value (NAV) are not classified in the fair value hierarchy.

	2025				Total
	Investments measured at NAV	Investments classified in the fair value hierarchy			
		(Level I)	(Level II)	(Level III)	
Pooled investments:					
Money market funds	\$ —	53,184	—	—	53,184
Equities:					
U.S. equities	79,183	58,454	—	—	137,637
Global equities	111,388	8,176	—	—	119,564
Emerging market equities	57,934	—	—	—	57,934
Fixed income	18,823	—	22,259	—	41,082
Fixed income mutual funds	—	39,107	—	—	39,107
Venture capital	76,393	—	—	—	76,393
Private equity	168,710	—	—	—	168,710
Mezzanine debt funds	7	—	—	—	7
Hedge funds	158,745	—	—	—	158,745
Real asset funds	<u>6,997</u>	<u>49,636</u>	<u>—</u>	<u>—</u>	<u>56,633</u>
Total pooled investments	<u>678,180</u>	<u>208,557</u>	<u>22,259</u>	<u>—</u>	<u>908,996</u>
Other investments:					
Equities	<u>—</u>	<u>4,728</u>	<u>—</u>	<u>—</u>	<u>4,728</u>
Total other investments	<u>—</u>	<u>4,728</u>	<u>—</u>	<u>—</u>	<u>4,728</u>
Unitrust investments:					
Money market funds	\$ —	78	—	—	78
Equities	—	1,250	—	—	1,250
Fixed income mutual funds	<u>—</u>	<u>975</u>	<u>278</u>	<u>—</u>	<u>1,253</u>
Total unitrust investments	<u>—</u>	<u>2,303</u>	<u>278</u>	<u>—</u>	<u>2,581</u>
Total investments	<u>\$ 678,180</u>	<u>215,588</u>	<u>22,537</u>	<u>—</u>	<u>916,305</u>

CHAPMAN UNIVERSITY AND AFFILIATES

Notes to Consolidated Financial Statements

May 31, 2025

(with comparative financial information as of May 31, 2024)

	2024				
	Investments	Investments classified in the fair value hierarchy			Total
	measured at NAV	(Level I)	(Level II)	(Level III)	
Pooled investments:					
Money market funds	\$ —	21,583	—	—	21,583
Equities:					
U.S. equities	70,659	57,976	—	—	128,635
Global equities	103,074	7,226	—	—	110,300
Emerging market equities	55,093	—	—	—	55,093
Fixed income	17,457	21,758	—	—	39,215
Fixed income mutual funds	—	36,728	—	—	36,728
Venture capital	68,059	—	—	—	68,059
Private equity	141,705	—	—	—	141,705
Mezzanine debt funds	139	—	—	—	139
Hedge funds	151,548	—	—	—	151,548
Real asset funds	9,988	40,717	—	—	50,705
Total pooled investments	<u>617,722</u>	<u>185,988</u>	<u>—</u>	<u>—</u>	<u>803,710</u>
Other investments:					
Equities	—	4,276	—	—	4,276
Total other investments	<u>—</u>	<u>4,276</u>	<u>—</u>	<u>—</u>	<u>4,276</u>
Unitrust investments:					
Money market funds	\$ —	395	—	—	395
Equities	—	1,013	—	—	1,013
Fixed income mutual funds	—	993	151	—	1,144
Real asset funds	—	12	—	—	12
Total unitrust investments	<u>—</u>	<u>2,413</u>	<u>151</u>	<u>—</u>	<u>2,564</u>
Total investments	<u>\$ 617,722</u>	<u>192,677</u>	<u>151</u>	<u>—</u>	<u>810,550</u>

Money Market Funds – Investments in money market funds are classified as Level I, as they can be liquidated in the same day, representing the active and ready market for these assets.

U.S. Equities – Investments in U.S. equities that are classified as Level 1 are measured at fair value using quoted market prices, and those investments measured at NAV have unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

Global Equities – Investments in this category are classified at NAV for those not actively traded, and for those published on exchanges using quoted market prices, they are classified at Level 1.

Emerging Markets Equities – Investments in emerging markets equities are classified as NAV as these investments have unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

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Fixed Income – Investments that are classified as Level II have a readily determinable fair value and are valued using significant other observable inputs. Certain investments in fixed income are classified as NAV as these investments have unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

Fixed Income Mutual Funds – Investments in fixed income mutual funds include investments in debt securities, U.S. government, and municipal obligations, and are classified as Level I or II. Investments classified in Level I are measured at fair value using quoted market prices, and those classified in Level II use significant other observable inputs, particularly dealer market prices for comparable investments as of the valuation date as reflected on account statements issued by investment custodians.

Real Asset Funds – Investments in the real asset funds measured at fair value using quoted market prices are classified as Level I, otherwise they are classified as NAV.

Alternative investments include hedge funds, venture capital, private equity, and mezzanine debt funds. These investments are classified NAV as these investments have unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. As such, the University is unable to obtain independent valuations from market sources. Therefore, these investments are valued utilizing NAVs. Realized and unrealized gains and losses are reported in the consolidated statement of activities under the line item entitled “Endowment returns designated for operations” and under nonoperating activities under the line item entitled “Endowment returns, net of designation for operations”.

The following table summarizes the fair value measurements of investments that calculate NAV per share (or its equivalent) as of May 31, 2025 (in thousands):

<u>Category of investment</u>	<u>NAV in funds</u>	<u>Unfunded commitments</u>	<u>Redemption notice period (in days)</u>	<u>Days until exit</u>
U.S. Equities	\$ 79,183	—	5-30	15-30
Global equities	111,388	—	10	30
Emerging market equities	57,934	—	6-60	15-122
Fixed income	18,823	—	10	30
Venture capital	76,393	50,996	See below	See below
Private equity	168,710	122,147	See below	See below
Mezzanine debt funds	7	110	See below	See below
Hedge funds:				
U.S. equities	110,484	—	60-184	92-2040
Global	33,429	—	10-60	30-944
Multi-strategy	14,832	—	65	122
Real asset funds	6,997	—	90	122
	<u>\$ 678,180</u>	<u>173,253</u>		

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The University holds certain investments in venture capital, private equity, and mezzanine debt funds in the amount of \$76.4 million, \$168.7 million, and \$7,000, respectively. These limited partnerships do not allow for periodic redemptions, but rather distributions are received through the liquidation of the underlying assets of the partnership. The University had no transfers between Level I, Level II, and Level III investments during the fiscal years ended May 31, 2025 or 2024.

(4) Contributions Receivable

Contributions receivable include unconditional pledges that have been discounted at rates ranging from 0.6% to 6.7%. The following is a summary of the University's unconditional contributions receivable at May 31, 2025 and 2024 (in thousands):

	<u>2025</u>	<u>2024</u>
Unconditional contributions expected to be collected in:		
Less than one year	\$ 17,740	13,237
One to five years	42,449	48,965
More than five years	<u>17,284</u>	<u>18,714</u>
	77,473	80,916
Less:		
Unamortized discount	(13,372)	(15,121)
Allowance for uncollectible contributions	<u>(5,049)</u>	<u>(4,803)</u>
Total contributions receivable, net	\$ <u>59,052</u>	<u>60,992</u>

Conditional pledges for the University, which depend on the occurrence of specified future and uncertain events, approximated \$102.6 million at May 31, 2025. Outstanding conditional pledges from related parties represent \$101.9 million at May 31, 2025. The primary purpose of these conditional pledges is to support current and future programs at the University.

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(5) Plant Assets

Plant assets at May 31, 2025 and 2024 consist of the following (in thousands):

	2025		
	Cost	Accumulated depreciation	Net
Land	\$ 301,963	—	301,963
Buildings and improvements	1,051,581	(319,380)	732,201
Equipment	285,479	(204,094)	81,385
Construction in progress	3,621	—	3,621
Total plant assets, net	<u>\$ 1,642,644</u>	<u>(523,474)</u>	<u>1,119,170</u>

	2024		
	Cost	Accumulated depreciation	Net
Land	\$ 298,663	—	298,663
Buildings and improvements	1,020,751	(286,632)	734,119
Equipment	273,392	(194,840)	78,552
Construction in progress	20,298	—	20,298
Total plant assets, net	<u>\$ 1,613,104</u>	<u>(481,472)</u>	<u>1,131,632</u>

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(6) Debt Obligations

Bonds and Notes Payable

Bond obligations consist of taxable and tax-exempt bonds payable. Tax-exempt bonds payable are issued through the California Educational Facilities Authority (CEFA). Associated interest rates and maturities for each issue at May 31, 2025 and 2024 are as follows (in thousands):

	2025		
	Interest rates	Maturity dates	Principal amount
Bonds payable:			
Series 2021 A Bonds	5.0%	2022–2031	\$ 34,840
Series 2021 B Bonds	1.4%–3.0%	2026–2051	175,000
Series 2017 A Bonds	1.4%–3.8%	2018–2042	84,695
Series 2017 B Bonds	4.0%	2042–2047	37,650
Series 2025 A Bonds	5.0%	2026–2045	84,620
			416,805
Plus unamortized premiums			19,534
Total bonds payable			\$ 436,339
	2024		
	Interest rates	Maturity dates	Principal amount
Bonds payable:			
Series 2021 A Bonds	5.0%	2022–2031	\$ 39,715
Series 2021 B Bonds	1.4%–3.0%	2026–2051	175,000
Series 2017 A Bonds	1.4%–3.8%	2018–2042	88,350
Series 2017 B Bonds	4.0%	2042–2047	37,650
Series 2015 Bonds	3.0%–5.0%	2017–2045	96,835
			437,550
Plus unamortized premiums			19,397
Total bonds payable			\$ 456,947

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Bonds payable at May 31, 2025 are due as follows (in thousands):

Year ending May 31:		
2026	\$	15,910
2027		16,955
2028		17,555
2029		18,200
2030		18,885
Thereafter		<u>329,300</u>
Total principal		416,805
Plus unamortized premiums		<u>19,534</u>
Total bonds payable	\$	<u><u>436,339</u></u>

In February 2025, the University executed the issuance of \$84.6 million of bonds through CEFA. Proceeds from this issuance were used to refund the Series 2015 CEFA bonds.

Total interest expense was \$13.7 million and \$15.5 million for the years ended May 31, 2025 and 2024, respectively, net of amount capitalized.

(7) Commitments and Contingencies

(a) Lease Commitments

The University has commitments related to operating leases for building facilities and equipment at May 31, 2025 and 2024. All operating leases are noncancelable and expire on various dates through 2028.

Minimum future rental payments under noncancelable operating lease agreements at May 31, 2025 are summarized as follows (in thousands):

Fiscal year ending May 31:		
2026	\$	128
2027		101
2028		<u>23</u>
Total minimum lease payments	\$	<u><u>252</u></u>

Total rent expense was \$220,000 and \$206,000 for the years ended May 31, 2025 and 2024, respectively.

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(b) Contingencies

The University is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its educational activities. In the opinion of management, the liability, if any, for such contingencies will not have a material effect on the University's financial position.

(8) Retirement Plan

The University has a defined contribution retirement plan. Employees working at least 20 hours a week are eligible to participate in the plan after 90 days of employment. The University contributes 3.0% of each employee's eligible annual salary, as defined by the plan. Eligible employees may contribute up to 6.0% of their eligible salary and the University matches their contributions. The University's total contribution to the plan was \$13.5 million and \$12.9 million for the years ended May 31, 2025 and 2024 respectively.

(9) Related Parties

The University is a recipient of generous support and commitments from many of its constituencies, which are considered related parties and include members of the Board of Trustees, Board of Governors, President's Cabinet, other advisory boards, and councils, as well as the administration. As a result of irrevocable commitments, a significant number of contributions are expected to be received from related parties in the future. Outstanding contributions receivable from related parties represent \$39.3 million and \$39.2 million as of May 31, 2025 and 2024, respectively.

(10) Annuities Payable

The University has legal title, either in the University's name or as trustee, to charitable remainder trusts. No significant financial benefit can be realized until the contractual obligations are released. The University also receives contributions in exchange for charitable gift annuity contracts.

The University uses an actuarial method of recording these annuities and trust liabilities using discount rates ranging from 0.6% to 7.6%. For charitable gift annuities and charitable remainder trusts, when a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability included in other liabilities based upon life expectancy tables and discount rate assumptions, and the remainder is recorded as a contribution. Contribution revenue recognized from charitable gift annuities and charitable remainder trusts is classified as an increase in assets with donor restrictions net assets based on the existence or absence of time or use restrictions placed by the donor upon the University's interest in the assets. Annuity and trust assets are determined annually based on revised fair value, actuarial and earnings data, and the effect of terminated trusts and other agreements.

(11) Endowments

In approving endowment spending and related policies, as part of the prudent and diligent discharge of its duties, the Board of Trustees of the University, as authorized by the California law, has relied upon the actions, reports, information, advice, and counsel taken or provided by its duly constituted committees and duly appointed officers of the University, including University Counsel, and in doing so has interpreted the law to require the preservation of the historic dollar value of donor-restricted endowment funds, absent explicit donor direction to the contrary.

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As a result of this interpretation, for accounting and financial statement purposes, the University classifies as donor-restricted net assets the historic dollar value of assets held as donor-restricted endowment, including any subsequent gifts and any accumulations to donor-restricted endowments made in accordance with the direction of the applicable gift instruments.

Investment income and gains and losses on donor-restricted endowments are reported as an increase or decrease in net assets until those amounts are appropriated by the Board of Trustees.

Endowment net asset composition by type of funds as of May 31, 2025 and 2024 is as follows (in thousands):

	2025		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowments	\$ —	375,997	375,997
Board-designated endowments	533,814	—	533,814
Total	<u>\$ 533,814</u>	<u>375,997</u>	<u>909,811</u>
	2024		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowments	\$ —	342,034	342,034
Board-designated endowments	462,603	—	462,603
Total	<u>\$ 462,603</u>	<u>342,034</u>	<u>804,637</u>

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Changes in endowment net assets for the fiscal year ended May 31, 2025 are as follows (in thousands):

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at May 31, 2024	\$ 462,603	342,034	804,637
Investment return, net	40,698	29,256	69,954
Contributions	2,339	11,864	14,203
Appropriation of endowment assets for expenditure	(7,826)	(7,788)	(15,614)
Other changes:			
Additions, changes, and transfers	—	631	631
Transfers from operations to board-designated endowment funds	36,000	—	36,000
Change in endowment net assets	<u>71,211</u>	<u>33,963</u>	<u>105,174</u>
Endowment net assets at May 31, 2025	<u>\$ 533,814</u>	<u>375,997</u>	<u>909,811</u>

Changes in endowment net assets for the fiscal year ended May 31, 2024 are as follows (in thousands):

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets at May 31, 2023	\$ 369,936	298,492	668,428
Investment return, net	55,202	42,745	97,947
Contributions	969	5,725	6,694
Appropriation of endowment assets for expenditure	(7,004)	(6,700)	(13,704)
Other changes:			
Additions, changes, and transfers	—	1,772	1,772
Transfers from operations to board-designated endowment funds	43,500	—	43,500
Change in endowment net assets	<u>92,667</u>	<u>43,542</u>	<u>136,209</u>
Endowment net assets at May 31, 2024	<u>\$ 462,603</u>	<u>342,034</u>	<u>804,637</u>

(a) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level required by the donor or law. The aggregated deficiencies of this nature for all donor-restricted endowment funds were \$24,000 and \$30,000 as of May 31, 2025 and 2024, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

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(b) Investment and Financial Objectives and Risk Parameters

The primary long-term investment objective of the endowment is to attain an average annual real total return (net of investment management fees) of at least 6.0% over the long term. Real total return is the sum of capital appreciation (or loss) and current income (dividends and interest) adjusted for inflation by the consumer price index. The Investment Committee strives to achieve these objectives within acceptable risk levels.

Additionally, it is expected that the portfolio's annualized investment return exceeds a custom allocation index or total portfolio blended benchmark measured over a minimum five-year period. The custom blended benchmark consists of 18% Russell 3000, 10% Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index (net), 5% MSCI Emerging Markets Index (net), 5% Hedge Fund Research, Inc. (HFRI) Fund of Funds Diversified Index, 8% Lagged Hedge Fund Research, Inc. (HFRI) Fund of Funds Diversified Index, relative to their respective vintage year, 32% Lagged Blended Public Equities, relative to their respective vintage year, 3% Blended Manager Benchmarks, 7% Lagged Blended Manager Benchmarks, relative to their respective vintage year, 10% Bloomberg (BBG) Barclays Intermediate Government Bond Index/Bloomberg (BBG) Barclays Aggregate Bond Index, and 2% Bank of America Merrill Lynch (BofA ML) 91 day T-Bill. The primary financial objective of the endowment is to provide funds for the ongoing support of the operations of the University while providing for safety of principal through diversification of investments. Over the long term, this means providing a stream of relatively predictable, stable, and constant funding in support of annual budgetary needs, and preserving and enhancing the Endowment's real (inflation-adjusted) purchasing power, net of management expenses and spending.

The Endowment's investments shall also be diversified by asset class and within asset classes as well as by manager. The purpose of diversification is to provide reasonable assurance that no manager, asset class, or individual holding could have a disproportionate negative impact on the Endowment's aggregate results.

(c) Spending Policy

The Endowment is managed according to the "total return" concept, which envisions the sources of Endowment spending as being from interest, dividends, and realized capital gains, supplemented by recent donations and campaign gifts.

The University uses a moving average of market values to calculate its annual draw from the Endowment. For fiscal year 2024-25, the University spending rate was 3.0% of the prior 20 quarter average of each endowment's market value with the last quarter being May 31, 2023.

The spending policy is reviewed periodically by the University's Finance Committee to determine whether the spending rate should be adjusted and whether the University's current policy objectives are being met.

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In accordance with this policy, the Board of Trustees has authorized the following amounts for the years ended May 31, 2025 and 2024 (in thousands):

	2025	2024
Spending allocation per spending policy:		
Donor-restricted endowments	\$ 7,788	6,700
Board-designated endowments	7,826	7,004
Total endowment returns designated for operations	\$ 15,614	13,704

(12) Net Assets

At May 31, 2025 and 2024, net assets consisted of the following (in thousands):

	Consolidated	
	2025	2024
Without donor restrictions:		
Property, plant, and equipment	\$ 747,455	756,921
Board-designated quasi-endowment	533,814	462,603
Operations, scholarship and other	90,669	81,333
Total without donor restrictions	\$ 1,371,938	1,300,857
With donor restrictions for time or purpose:		
Unappropriated endowment earnings	\$ 182,742	161,322
Property, plant, and equipment	25,982	21,412
For educational and general programs	24,950	26,530
Financial aid	3,965	5,597
Total with donor restrictions for time or purpose	\$ 237,639	214,861
With donor restrictions in perpetuity:		
Endowment	\$ 193,255	180,713
Pledges	28,319	30,142
Loan funds	7,281	6,989
Annuity and life income funds	9,333	893
Total with donor restrictions in perpetuity	\$ 238,188	218,737

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(13) Functional Expenses by Natural Classification

Certain categories of expenses that are attributable to more than one program or supporting function are allocated based on various methods. Specifically, facilities, interest and depreciation are allocated among functional classifications based on usage of space and square footage. Information technology costs are allocated based on software usage and the overall employees in the various functional categories. All other costs are charged directly to the appropriate functional category.

Expenses by natural and functional classification for the year ended May 31, 2025, were as follows:

Functional expenses by natural classification (000's)						
		Academic	Student	General	Auxiliary	2025
	Instruction	support	services	institutional	enterprises	Total
Salary and benefits	\$ 166,990	35,278	27,508	53,691	6,350	289,817
Facilities	18,613	7,085	7,005	9,937	21,088	63,728
Depreciation	24,480	3,759	7,326	4,517	6,615	46,697
Professional services	12,455	3,016	1,450	4,649	244	21,814
Promotion and advertising	301	294	1,483	1,554	12	3,644
Interest	5,323	839	1,640	1,190	5,009	14,001
Supplies	3,154	853	1,006	984	169	6,166
Other	11,313	6,074	2,945	1,824	9,556	31,712
Total	\$ 242,629	57,198	50,363	78,346	49,043	477,579

Expenses by natural and functional classification for the year ended May 31, 2024, were as follows:

Functional expenses by natural classification (000's)						
	Instruction	Academic	Student	General	Auxiliary	2024
	Instruction	support	services	institutional	enterprises	Total
Salary and benefits	\$ 163,118	34,936	26,188	50,360	5,861	280,463
Facilities	18,786	6,951	6,121	12,231	18,290	62,379
Depreciation	24,808	4,094	6,870	4,530	6,753	47,055
Professional services	12,120	2,813	1,266	8,034	297	24,530
Promotion and advertising	431	431	1,691	1,828	51	4,432
Interest	6,294	1,068	1,795	1,346	5,183	15,686
Supplies	3,475	984	1,135	1,062	152	6,808
Other	10,658	6,134	2,931	2,351	9,630	31,704
Total	\$ 239,690	57,411	47,997	81,742	46,217	473,057

(14) Subsequent Events

The University has evaluated subsequent events from the date of the consolidated statement of financial position through September 26, 2025, the date on which the consolidated financial statements were issued.