



**CHAPMAN UNIVERSITY AND AFFILIATES**

Consolidated Financial Statements

May 31, 2024

(With Comparative Financial Information as of May 31, 2023)

(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, 2024, 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, 2024, 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 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2023, 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 19, 2024, 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 19, 2024

**CHAPMAN UNIVERSITY AND AFFILIATES**

## Consolidated Statements of Financial Position

May 31, 2024

(with comparative financial information as of May 31, 2023)

(In thousands)

<b>Assets</b>	<b>2024</b>	<b>2023</b>
Assets:		
Cash, cash equivalents, and restricted cash	\$ 148,327	218,934
Accounts receivable, less allowance for doubtful accounts of \$1,046 and \$1,034 in 2024 and 2023, respectively	9,540	10,352
Inventories, prepaid and other deposits	14,751	15,912
Contributions receivable, net (note 4)	60,992	53,089
Notes receivable, less allowance for doubtful notes of \$452 and \$430 in 2024 and 2023, respectively (note 13)	103,449	102,847
Investments (note 2)	810,550	673,388
Plant assets, net (note 5)	1,131,632	1,132,686
Total assets	\$ 2,279,241	2,207,208
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 54,947	55,728
Deferred revenues and student deposits	22,890	24,236
Bonds and notes payable (note 6)	456,947	504,449
Annuities payable	1,003	1,128
Other liabilities	8,999	9,489
Total liabilities	544,786	595,030
Net assets:		
Without donor restrictions (note 12)	1,300,857	1,226,193
With donor restrictions (note 12)	433,598	385,985
Total net assets	1,734,455	1,612,178
Total liabilities and net assets	\$ 2,279,241	2,207,208

See accompanying notes to consolidated financial statements.

**CHAPMAN UNIVERSITY AND AFFILIATES**

Consolidated Statements of Activities

Year ended May 31, 2024

(with summarized financial information for the year ended May 31, 2023)

(In thousands)

	<b>2024</b>			<b>2023</b>
	<b>Without donor restriction</b>	<b>With donor restriction</b>	<b>Total</b>	<b>Total</b>
Revenues, gains, and other support:				
Net tuition and fees (net of student financial aid of \$206,056 and \$198,465 in 2024 and 2023, respectively)	\$ 364,443	—	364,443	357,130
Endowment returns designated for operations	7,004	6,700	13,704	12,233
Other investment income	13,308	554	13,862	6,451
Private gifts and bequests	8,488	25,321	33,809	43,296
Grants and contracts	21,618	—	21,618	20,108
Auxiliary enterprises	63,714	—	63,714	68,327
Other sources	7,392	75	7,467	6,967
	121,524	32,650	154,174	157,382
Net assets transferred or released from donor restrictions	13,888	(13,888)	—	—
Total revenues, gains, and other support	499,855	18,762	518,617	514,512
Expenses:				
Educational and general:				
Instruction	239,690	—	239,690	233,817
Academic support	57,411	—	57,411	55,521
Student services	47,997	—	47,997	42,792
General institutional support	81,742	—	81,742	70,418
Total educational and general expenses	426,840	—	426,840	402,548
Auxiliary enterprises	46,217	—	46,217	46,335
Total expenses	473,057	—	473,057	448,883
Increase from operating activities	26,798	18,762	45,560	65,629
Nonoperating activities:				
Endowment returns (losses), net of designation for operations	48,197	36,046	84,243	(5,563)
Plant assets gifts released from restriction	7,631	(7,631)	—	—
Other-non-operating activity	(7,962)	436	(7,526)	241
Increase (decrease) from nonoperating activities	47,866	28,851	76,717	(5,322)
Discontinued operations:				
Change in net assets from discontinued operations	—	—	—	(8,163)
Change in net assets	74,664	47,613	122,277	52,144
Net assets, beginning of year	1,226,193	385,985	1,612,178	1,560,034
Net assets, end of year	\$ 1,300,857	433,598	1,734,455	1,612,178

See accompanying notes to consolidated financial statements.

**CHAPMAN UNIVERSITY AND AFFILIATES**

Consolidated Statements of Cash Flows

Year ended May 31, 2024

(with comparative financial information for the year ended May 31, 2023)

(In thousands)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 122,277	52,144
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contributions of property, life insurance policies, and investments	(2,935)	(2,480)
Proceeds from sale of gifts of investments	1,610	1,235
Contributions restricted for long-term investment	(8,627)	(20,131)
Net realized and unrealized gains on investments	(90,598)	(478)
Depreciation	47,055	44,245
Actuarial loss on annuity obligations	436	314
Amortization of premiums on bonds payable	(1,727)	(1,728)
Changes in operating assets and liabilities:		
Accounts receivable	(1,130)	(4,843)
Other assets	1,162	(1,273)
Contributions receivable	(7,903)	(4,891)
Accounts payable, accrued liabilities, and other liabilities	(2,618)	(397)
Annuities payable	(561)	(1,054)
Net assets from discontinued operations	—	8,223
Net cash provided by operating activities	<u>56,441</u>	<u>68,886</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	460,393	443,779
Purchases of investments	(504,382)	(291,351)
Purchases of plant assets	(46,002)	(213,592)
Net disbursements/repayments of loans to students	91	609
Net cash used in investing activities	<u>(89,900)</u>	<u>(60,555)</u>
Cash flows from financing activities:		
Proceeds from issuance of bonds or notes payable	—	35,000
Proceeds from contributions restricted for long-term investments	8,627	20,131
Payments of notes and bonds payable	(45,775)	(10,340)
Net cash (used in) provided by financing activities	<u>(37,148)</u>	<u>44,791</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(70,607)	53,122
Cash, cash equivalents, and restricted cash at beginning of year	<u>218,934</u>	<u>165,812</u>
Cash, cash equivalents, and restricted cash at end of year	\$ <u><u>148,327</u></u>	<u><u>218,934</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest, net of amounts capitalized of \$0 for 2024 and 2023	\$ 17,179	18,005
Supplemental schedules of noncash investing and financing activities:		
Contributions of life insurance policies	\$ 25	63
Contributions of investments	1,611	1,266
Contributions of property for plant assets	1,299	1,151

See accompanying notes to consolidated financial statements.

## **CHAPMAN UNIVERSITY AND AFFILIATES**

### **Notes to Consolidated Financial Statements**

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### **(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, 2024

(with comparative financial information as of May 31, 2023)

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>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 120,291	186,507
Restricted cash	<u>28,036</u>	<u>32,427</u>
Total cash, cash equivalents and restricted cash	<u>\$ 148,327</u>	<u>218,934</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 2024, there were no events or changes in circumstances indicating that the carrying amount of long-lived assets may not be recoverable.

#### **(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.

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

- 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.

#### **(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.

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### **(m) Fund-Raising Expenses**

The accompanying consolidated statements of activities include fund-raising expenses of \$20,619,000 and \$17,884,000 for the years ended May 31, 2024 and 2023, 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, 2023, 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, 2024

(with comparative financial information as of May 31, 2023)

**(r) Liquidity and Availability**

The following table reflects the University's financial assets as May 31, 2024 and 2023, 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>2024</u>	<u>2023</u>
Financial assets available to meet general expenditures over the next 12 months:		
Cash and cash equivalents	\$ 120,291	186,507
Accounts receivable, net	9,540	10,352
Current notes receivable, net	<u>4,575</u>	<u>8,403</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>134,406</u>	<u>205,262</u>
Financial assets not available for general expenditures over the next 12 months:		
Cash and cash equivalents	28,036	32,427
Long term investments	810,550	673,388
Plant assets	1,131,632	1,132,686
Contributions receivable, net	60,992	53,089
Long term notes receivable, net	98,874	94,444
Inventories, prepaid and other deposits	<u>14,751</u>	<u>15,912</u>
Total financial assets not available for general expenditures over the next 12 months	<u>2,144,835</u>	<u>2,001,946</u>
Total financial assets	<u>\$ 2,279,241</u>	<u>2,207,208</u>

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

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, 2024, the following amounts were designated for specific purposes by the board (in thousands):

	<u>2024</u>	<u>2023</u>
Board-designated funds:		
Designated for endowment	\$ 462,603	369,936
Designated for capital assets	<u>135,062</u>	<u>148,401</u>
Total board-designated funds	<u>\$ 597,665</u>	<u>518,337</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 \$20,000,000 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, 2024 its market value was \$462,603,000 and could be made available if necessary.

## (2) Investments

Investments at May 31, 2024 and 2023 consist of the following (in thousands):

	<u>2024</u>	<u>2023</u>
Money market funds	\$ 21,583	31,128
Equities	298,304	182,878
Fixed income and mutual funds	75,943	58,360
Venture capital	68,059	66,872
Private equity	141,705	119,938
Mezzanine debt funds	139	157
Hedge funds	151,548	172,044
Real asset funds	50,705	39,166
Unitrust investments:		
Money market funds	395	76
Equities	1,013	1,349
Fixed income mutual funds	1,144	1,367
Real asset funds	<u>12</u>	<u>53</u>
Total investments	<u>\$ 810,550</u>	<u>673,388</u>

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

Investment income consisted of the following for the years ended May 31, 2024 and 2023 (in thousands):

		<b>2024</b>		
		<b>Endowment</b>	<b>Other</b>	<b>Total</b>
Interest and dividends	\$	11,660	13,154	24,814
Realized and unrealized gains, net		89,890	708	90,598
Less investment expenses		(3,603)	—	(3,603)
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>

  

		<b>2023</b>		
		<b>Endowment</b>	<b>Other</b>	<b>Total</b>
Interest and dividends	\$	7,655	8,204	15,859
Realized and unrealized gains (losses), net		2,231	(1,753)	478
Less investment expenses		(3,216)	—	(3,216)
Investment income, net	\$	<u>6,670</u>	<u>6,451</u>	<u>13,121</u>
Operating	\$	12,233	6,451	18,684
Nonoperating		<u>(5,563)</u>	<u>—</u>	<u>(5,563)</u>
Investment income, net	\$	<u>6,670</u>	<u>6,451</u>	<u>13,121</u>

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

### (3) Fair Value Measurements

The following tables summarize investment values by category of investment as of May 31, 2024 and 2023 (in thousands). Consistent with ASU 2015-07, investments measured at net asset value (NAV) are not classified in the fair value hierarchy.

2024					
	Investments measured at NAV	Investments classified in the fair value hierarchy			Total
		(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	617,722	185,988	—	—	803,710
Other investments:					
Equities	—	4,276	—	—	4,276
Total other investments	—	4,276	—	—	4,276
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	—	2,413	151	—	2,564
Total investments	\$ 617,722	192,677	151	—	810,550

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

2023					
	Investments measured at NAV	Investments classified in the fair value hierarchy			Total
		(Level I)	(Level II)	(Level III)	
Pooled investments:					
Money market funds	\$ —	31,128	—	—	31,128
Equities:					
U.S. equities	—	45,908	—	—	45,908
Global equities	81,549	6,137	—	—	87,686
Emerging market equities	45,804	—	—	—	45,804
Fixed income	16,542	17,245	—	—	33,787
Fixed income mutual funds	—	24,573	—	—	24,573
Venture capital	66,872	—	—	—	66,872
Private equity	119,938	—	—	—	119,938
Mezzanine debt funds	157	—	—	—	157
Hedge funds	172,044	—	—	—	172,044
Real asset funds	8,311	30,855	—	—	39,166
Total pooled investments	511,217	155,846	—	—	667,063
Other investments:					
Equities	—	3,480	—	—	3,480
Total other investments	—	3,480	—	—	3,480
Unitrust investments:					
Money market funds	—	76	—	—	76
Equities	—	1,349	—	—	1,349
Fixed income mutual funds	—	1,205	162	—	1,367
Real asset funds	53	—	—	—	53
Total unitrust investments	53	2,630	162	—	2,845
Total investments	\$ 511,270	161,956	162	—	673,388

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 – International Equity Funds – 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.



## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

Fixed Income – Investments that are classified in Level I are listed on national exchanges or over-the-counter markets and for which quoted market prices are available from sources such as financial publications, the exchanges, or the National Association of Securities Dealers Automated Quotations System. 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 (losses), 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, 2024 (in thousands):

<b>Category of investment</b>	<b>NAV in funds</b>	<b>Unfunded commitments</b>	<b>Redemption notice period (in days)</b>	<b>Days until exit</b>
U.S. Equities	\$ 70,659	—	5-30	15-30
Global equities	103,074	—	10	30
Emerging market equities	55,093	—	6-60	15-122
Fixed income	17,457	—	10	30
Venture capital	68,059	37,102	See below	See below
Private equity	141,705	108,320	See below	See below
Mezzanine debt funds	139	186	See below	See below
Hedge funds:				
U.S. equities	96,485	—	60-184	92-2040
Global	41,655	—	10-60	30-944
Multi-strategy	13,408	—	65	122
Real asset funds	9,988	—	90	122
	<u>\$ 617,722</u>	<u>145,608</u>		

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

The University holds certain investments in venture capital, private equity, and mezzanine debt funds in the amount of \$68,059,000, \$141,705,000, and \$139,000, 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, 2024 or 2023.

#### (4) Contributions Receivable

Contributions receivable include unconditional pledges that have been discounted at rates ranging from 0.63% to 6.68%. The following is a summary of the University's unconditional contributions receivable at May 31, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Unconditional contributions expected to be collected in:		
Less than one year	\$ 13,237	11,709
One to five years	48,965	31,345
More than five years	<u>18,714</u>	<u>28,805</u>
	80,916	71,859
Less:		
Unamortized discount	(15,121)	(12,069)
Allowance for uncollectible contributions	<u>(4,803)</u>	<u>(6,701)</u>
Total contributions receivable, net	<u>\$ 60,992</u>	<u>53,089</u>

Conditional pledges for the University, which depend on the occurrence of specified future and uncertain events, approximated \$106,923,000 at May 31, 2024. Outstanding conditional pledges from related parties represent \$101,870,000 at May 31, 2024. The primary purpose of these conditional pledges is to support current and future programs at the University.

#### (5) Plant Assets

Plant assets at May 31, 2024 and 2023 consist of the following (in thousands):

		<u>2024</u>	
	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net</u>
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	<u>20,298</u>	<u>—</u>	<u>20,298</u>
Total plant assets, net	<u>\$ 1,613,104</u>	<u>(481,472)</u>	<u>1,131,632</u>

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

	2023		
	Cost	Accumulated depreciation	Net
Land	\$ 294,940	—	294,940
Buildings and improvements	979,326	(254,950)	724,376
Equipment	264,837	(181,925)	82,912
Construction in progress	30,458	—	30,458
Total plant assets, net	\$ 1,569,561	(436,875)	1,132,686

### (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, 2024 and 2023 are as follows (in thousands):

	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	3.0%–5.0%	2017–2045	96,835
			437,550
Plus unamortized premiums			19,397
Total bonds payable			\$ 456,947

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

	2023		
	Interest rates	Maturity dates	Principal amount
Bonds payable:			
Series 2021 A Bonds	5.0%	2022–2031	\$ 44,360
Series 2021 B Bonds	1.4%–3.0%	2026–2051	175,000
Series 2017 A Bonds	1.4%–3.8%	2018–2042	91,900
Series 2017 B Bonds	4.0%	2042–2047	37,650
Series 2015	3.0%–5.0%	2017–2045	99,415
			448,325
Plus unamortized premiums			21,124
Total bonds payable			469,449
Notes payable:			
Wells Fargo Term Loan	SOFR plus 0.77%	2025–2026	35,000
Total notes payable			35,000
Total bonds and notes payable			\$ 504,449

Bonds payable at May 31, 2024 are due as follows (in thousands):

Year ending May 31:	
2025	\$ 11,240
2026	16,655
2027	17,240
2028	17,855
2029	18,515
Thereafter	356,045
Total principal	437,550
Plus unamortized premiums	19,397
Total bonds payable	\$ 456,947

Total interest expense was \$15,452,000 and \$16,278,000 for the years ended May 31, 2024 and 2023, respectively, net of amount capitalized.

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### (7) Commitments and Contingencies

##### (a) Lease Commitments

The University has commitments related to operating leases for building facilities and equipment at May 31, 2024 and 2023. All operating leases are noncancelable and expire on various dates through 2027.

Minimum future rental payments under noncancelable operating lease agreements at May 31, 2024 are summarized as follows (in thousands):

Fiscal year ending May 31:		
2025	\$	163
2026		120
2027		97
2028		60
<hr/>		
Total minimum lease payments	\$	<u>440</u>

Total rent expense was \$206,000 and \$348,000 for the years ended May 31, 2024 and 2023, respectively.

##### (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% of each employee's eligible annual salary, as defined by the plan. Eligible employees may contribute up to 6% of their eligible salary and the University matches their contributions. The University's total contribution to the plan was \$12,930,000 and \$12,026,000 for the years ended May 31, 2024 and 2023, 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 \$39,235,000 and \$37,228,000 as of May 31, 2024 and 2023, respectively.

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### (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.

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, 2024 and 2023 is as follows (in thousands):

	2024		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments	\$ —	342,034	342,034
Board-designated endowments	462,603	—	462,603
Total	\$ 462,603	342,034	804,637

# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

	2023		
	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowments	\$ —	298,492	298,492
Board-designated endowments	369,936	—	369,936
Total	\$ 369,936	298,492	668,428

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

	Without donor restrictions	With donor restrictions	Total
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	92,667	43,542	136,209
Endowment net assets at May 31, 2024	\$ 462,603	342,034	804,637

Changes in endowment net assets for the fiscal year ended May 31, 2023 are as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Endowment net assets at May 31, 2022	\$ 322,054	286,043	608,097
Investment return, net	3,744	2,926	6,670
Contributions	—	15,632	15,632
Appropriation of endowment assets for expenditure	(6,120)	(6,113)	(12,233)
Other changes:			
Additions, changes, and transfers	37,000	4	37,004
Transfers from operations to board-designated endowment funds	13,258	—	13,258
Change in endowment net assets	47,882	12,449	60,331
Endowment net assets at May 31, 2023	\$ 369,936	298,492	668,428

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### **(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 \$30,000 and \$134,000 as of May 31, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions.

#### **(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% 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 21% Russell 3000, 13% Morgan Stanley Capital International (MSCI) Europe, Australia and Far East (EAFE) Index (net), 7% MSCI Emerging Markets Index (net), 15% Hedge Fund Research, Inc. (HFRI) Fund of Funds Diversified Index, 26% Blended Public Equities, 8% Morgan Stanley Capital International (MSCI) All Countries World Index (ACWI)(net), 8% 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 2023-24, the University targeted spending at 3% of the moving average of the Endowment's market value based on the previous 20-quarter-end portfolio market valuations.

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.



# CHAPMAN UNIVERSITY AND AFFILIATES

## Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

In accordance with this policy, the Board of Trustees has authorized the following amounts for the years ended May 31, 2024 and 2023 (in thousands):

	<u>2024</u>	<u>2023</u>
Spending allocation per spending policy:		
Donor-restricted endowments	\$ 6,700	6,113
Board-designated endowments	<u>7,004</u>	<u>6,120</u>
Total endowment returns designated for operations	<u>\$ 13,704</u>	<u>12,233</u>

### (12) Net Assets

At May 31, 2024 and 2023, net assets consisted of the following (in thousands):

	<u>Consolidated</u>	
	<u>2024</u>	<u>2023</u>
Without donor restrictions:		
Property, plant, and equipment	\$ 756,921	749,777
Board-designated quasi-endowment	462,603	369,936
Operations, scholarship and other	<u>81,333</u>	<u>106,480</u>
Total without donor restrictions	<u>\$ 1,300,857</u>	<u>1,226,193</u>
With donor restrictions for time or purpose:		
Unappropriated endowment earnings	\$ 161,322	125,557
Property, plant, and equipment	21,412	26,264
For educational and general programs	24,712	14,270
Financial aid	5,597	7,288
Research	<u>1,818</u>	<u>747</u>
Total with donor restrictions for time or purpose	<u>\$ 214,861</u>	<u>174,126</u>
With donor restrictions in perpetuity:		
Endowment	\$ 180,713	172,935
Pledges	30,142	31,354
Loan funds	6,989	6,647
Annuity and life income funds	<u>893</u>	<u>923</u>
Total with donor restrictions in perpetuity	<u>\$ 218,737</u>	<u>211,859</u>

## CHAPMAN UNIVERSITY AND AFFILIATES

### Notes to Consolidated Financial Statements

May 31, 2024

(with comparative financial information as of May 31, 2023)

#### (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, 2024, were as follows:

<b>Functional expenses by natural classification (000's)</b>						
	<b>Instruction</b>	<b>Academic support</b>	<b>Student services</b>	<b>General institutional support</b>	<b>Auxiliary enterprises</b>	<b>2024 Total</b>
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	<u>\$ 239,690</u>	<u>57,411</u>	<u>47,997</u>	<u>81,742</u>	<u>46,217</u>	<u>473,057</u>

Expenses by natural and functional classification for the year ended May 31, 2023, were as follows:

<b>Functional expenses by natural classification (000's)</b>						
	<b>Instruction</b>	<b>Academic support</b>	<b>Student services</b>	<b>General institutional support</b>	<b>Auxiliary enterprises</b>	<b>2023 Total</b>
Salary and benefits	\$ 156,569	32,332	23,886	45,144	5,668	263,599
Facilities	18,794	6,730	5,445	10,393	18,473	59,835
Depreciation	24,971	5,389	4,883	2,030	6,972	44,245
Professional services	12,589	2,893	1,430	7,173	402	24,487
Promotion and advertising	369	254	1,374	1,846	35	3,878
Interest	7,348	1,580	1,449	775	5,398	16,550
Supplies	3,319	996	1,112	1,299	156	6,882
Other	9,858	5,347	3,213	1,758	9,231	29,407
Total	<u>\$ 233,817</u>	<u>55,521</u>	<u>42,792</u>	<u>70,418</u>	<u>46,335</u>	<u>448,883</u>

#### (14) Subsequent Events

The University has evaluated subsequent events from the date of the consolidated statement of financial position through September 19, 2024, the date on which the consolidated financial statements were issued.