

Report of Independent Auditors and
Financial Statements

University of La Verne

June 30, 2025
(with Comparative Summarized Financial Information
for the year ended June 30, 2024)

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Report of Independent Auditors

The Board of Trustees
University of La Verne

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University of La Verne, which comprise the statement of financial position as of June 30, 2025, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of University of La Verne as of June 30, 2025, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of University of La Verne 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 Financial Statements

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

In preparing the financial statements, management is required to evaluate whether University of La Verne's ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

Other Matter

The financial statements of the University of La Verne as of and for the year ended June 30, 2024, were audited by other auditors whose report dated November 15, 2024, expressed an unmodified opinion on those financial statements. The financial statements as of and for the year ended June 30, 2024, are presented as comparative information in the 2025 financial statements.

Baker Tilly US, LLP

Los Angeles, California
November 21, 2025

Financial Statements

University of La Verne
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
Cash and cash equivalents	\$ 40,469,212	\$ 23,319,926
Cash restricted by use	12,446	14,841
Accounts and notes receivable, net	13,392,414	9,931,188
Pledges receivable, net	41,747	214,507
Prepaid expenses and other assets	5,260,150	6,768,602
Investments	255,677,709	254,229,443
Property, plant, and equipment, net	155,271,865	160,812,760
Intangible assets, net	3,348,064	3,860,036
Total assets	\$ 473,473,607	\$ 459,151,303
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 15,110,033	\$ 18,721,200
Student deposits and deferred revenues	16,951,055	7,370,588
Actuarial liability for annuity obligations	1,677,058	1,843,866
Bonds and notes payable	102,275,600	106,585,321
Federal student loan funds	697,213	825,154
Total liabilities	136,710,959	135,346,129
Without donor restrictions	200,765,518	194,681,384
With donor restrictions	135,997,130	129,123,790
Total net assets	336,762,648	323,805,174
Total liabilities and net assets	\$ 473,473,607	\$ 459,151,303

See accompanying notes.

University of La Verne
Statement of Activities
Year Ended June 30, 2025

(with Comparative Summarized Financial Information for June 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Operating activities				
Revenues				
Student tuition and fees, net	\$ 108,110,590	\$ -	\$ 108,110,590	\$ 112,030,602
Private gifts and grants	676,964	-	676,964	2,665,498
Government grants	1,939,300	2,720,198	4,659,498	3,967,093
Sponsored programs	252,895	-	252,895	216,699
Investment income	5,303,615	2,336,382	7,639,997	7,346,258
Auxiliary enterprises	11,888,962	-	11,888,962	12,573,823
Annuity and trust gifts	-	-	-	99,315
Other	1,844,477	369,008	2,213,485	3,182,998
Net assets released from restriction	7,397,316	(7,397,316)	-	-
Total revenues	137,414,119	(1,971,728)	135,442,391	142,082,286
Expenses				
Instruction	51,499,278	-	51,499,278	52,959,841
Academic support	19,645,047	-	19,645,047	17,544,110
Student services	20,997,602	-	20,997,602	20,622,287
Institutional support	40,431,517	-	40,431,517	41,246,639
Auxiliary enterprises	9,816,120	-	9,816,120	9,638,436
Total expenses	142,389,564	-	142,389,564	142,011,313
Change in net assets from operating activities	(4,975,445)	(1,971,728)	(6,947,173)	70,973
Non-operating activities				
Net gains on investments	9,431,531	9,022,408	18,453,939	16,945,513
Net gain on disposal of assets	1,628,048	-	1,628,048	-
Net change in actuarial obligations	-	(177,340)	(177,340)	(231,435)
Change in net assets from non-operating activities	11,059,579	8,845,068	19,904,647	16,714,078
Change in net assets	6,084,134	6,873,340	12,957,474	16,785,051
Net assets at beginning of year	194,681,384	129,123,790	323,805,174	307,020,123
Net assets at end of year	\$ 200,765,518	\$ 135,997,130	\$ 336,762,648	\$ 323,805,174

See accompanying notes.

University of La Verne
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ 12,957,474	\$ 16,785,051
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	9,822,266	9,994,037
Credit loss	49,291	416,628
Gain on disposal of assets	(1,628,048)	-
Contributions of investments	(80,133)	(50,509)
Net realized and unrealized gain on investments	(18,148,107)	(16,474,912)
Contributions restricted for long-term investment	(285,846)	(242,793)
Adjustment to cash surrender value – life insurance	(305,832)	(470,601)
Weingart Foundation loan forgiveness	(471,753)	-
Change in allowance for uncollectible pledges receivable	(30,784)	(176,606)
Change in discount on pledges receivable	(696)	696
Change in assets and liabilities, net of effects from noncash activities		
Accounts and other receivables	(3,309,892)	(466,494)
Pledges receivable	204,240	1,049,843
Prepaid expenses and other assets	1,508,452	4,583,561
Accounts payable and accrued liabilities	(3,611,167)	(4,503,807)
Student deposits and deferred revenues	9,580,467	(837,245)
Actuarial liability for annuity obligations	177,340	185,120
	<u>6,427,272</u>	<u>9,791,969</u>
Net cash from operating activities		
Cash flows from investing activities		
Purchases of property, plant, and equipment	(6,288,355)	(5,382,484)
Purchases of investments	(94,119,441)	(85,417,436)
Proceeds from sales of property	3,776,043	-
Proceeds from sales and maturity of investments	111,243,528	68,333,677
Issuance of student notes receivable	(434,250)	(398,725)
Collection on student notes receivable	233,625	260,072
	<u>14,411,150</u>	<u>(22,604,896)</u>
Net cash from investing activities		

See accompanying notes.

University of La Verne
Statement of Cash Flows
Years Ended June 30, 2025 and June 30, 2024

	2025	2024
Cash flows from financing activities		
Proceeds from contributions for investment in endowment	285,846	242,793
Investment income of annuity obligations	(38,281)	(32,299)
Payments of life income and annuity obligations	(344,148)	(344,601)
Payments on bonds and notes payable	(3,467,008)	(7,151,434)
Change in federal student loan funds	(127,940)	(191,388)
Net cash from financing activities	(3,691,531)	(7,476,929)
Net change in cash and cash equivalents	17,146,891	(20,289,856)
Cash and cash equivalents, beginning of year		
Cash and cash equivalents	23,319,926	43,610,080
Cash whose use is limited	14,841	14,543
	\$ 23,334,767	\$ 43,624,623
Cash and cash equivalents, ends of year		
Cash and cash equivalents	40,469,212	23,319,926
Cash whose use is limited	12,446	14,841
	\$ 40,481,658	\$ 23,334,767
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid for interest	\$ 4,520,012	\$ 4,879,763
Non-cash gifts – investments and property received	\$ 80,133	\$ 50,509
Accounts payable related to property and equipment	\$ 346,378	\$ 584,663

See accompanying notes.

University of La Verne

Notes to Financial Statements

Note 1 – Nature of Operations

The University of La Verne (the “University”) was founded in 1891 as an independent coeducational liberal arts and science college. The University consists of the College of Arts and Sciences, the College of Business and Public Management, the College of Law, the La Fetra College of Education and Organizational Leadership, the College of Health and Well-Being, and the Regional Campus Administration. The University derives most of its revenue from student tuition and fees and from gifts made by individuals, corporations and foundations. The objective of the University as a nonprofit educational institution is service, and the primary obligation of accounting and reporting is for resources received and applied rather than the determination of net income.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

The financial statements include certain prior-year summarized financial information in total but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended June 30, 2024 from which the summarized information was derived.

Measure of operations – The University’s measure of operations as presented in the statement of activities includes all revenue and expenses that are integral to its current programs and supporting activities as well as net assets released from restrictions to support operating expenditures.

Net assets – The University classifies its financial position and activities into two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Without donor restrictions – Net assets without donor restrictions are available for use at the discretion of the Board of Trustees (the Board) and/or management for general operating purposes. Items that affect this net asset category primarily consist of fees for service and related expenses associated with the core activities of the University such as instruction and certain sponsored research. From time to time, the Board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management’s discretion. For example, the Board has designated a portion of net assets without donor restrictions as a quasi-endowment (an amount to be treated by management as if it were a part of the donor-restricted endowment) for the purpose of securing the University’s long- term financial viability.

University of La Verne Notes to Financial Statements

With donor restrictions – Net assets with donor restrictions are subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled by actions of the University pursuant to those stipulations. Also included in this category are certain net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University, the earnings from which are subject to the Board-approved spending policy and available for general or specific purposes as stipulated by the respective donors of such funds.

Cost allocations – The financial statements present expenses by functional classification. Depreciation expense is allocated to the functional categories based upon the square foot occupancy of the respective departments or programs. Interest expense is allocated to the functional categories based upon the purpose of the related debt. Plant operations and maintenance represents space-related costs that are allocated to the functional categories based upon the square foot occupancy of the respective departments or programs. Expense detail is as follows for the years ended June 30:

	2025						2024 Total
	Program Activities				Supporting Activities		
	Instruction	Academic Support	Student Services	Auxiliaries Enterprises	Institutional Support	Total	
Salaries and wages	\$ 35,980,272	\$ 8,579,360	\$ 9,898,166	\$ 536,287	\$ 14,903,642	\$ 69,897,727	\$ 68,012,902
Employe benefits	8,726,038	2,171,119	2,817,649	160,784	4,009,776	17,885,366	17,644,963
Services, supplies, and other	3,118,089	6,443,343	5,883,540	4,688,852	14,810,981	34,944,805	35,329,775
Occupancy, utilities, and maintenance	1,331,885	792,541	14,944	375,979	2,801,522	5,316,871	6,149,482
Depreciation and amortization	2,161,312	953,136	1,711,765	2,071,416	2,941,174	9,838,803	10,011,263
Interest	181,682	705,548	671,538	1,982,802	964,422	4,505,992	4,862,928
Total	\$ 51,499,278	\$ 19,645,047	\$ 20,997,602	\$ 9,816,120	\$ 40,431,517	\$ 142,389,564	\$ 142,011,313

Revenue recognition – Revenues are recognized when control of the promised goods or services is transferred to students and others in an amount that reflects the consideration the University expects to be entitled to receive in exchange for those goods and services. The University applies the five-step revenue model stipulated by Accounting Standards Codification (ASC) 606 to all of its significant revenue streams in order to determine when revenue is earned and recognized. The five-step model requires the University to: (i.) identify contracts with customers; (ii.) identify performance obligations related to those contracts; (iii.) determine the transaction price; (iv.) allocate that transaction price to performance obligations; and (v.) recognize revenue when or as the University satisfies a performance obligation.

Student tuition and fees revenue consists of the following as of June 30, 2025 and 2024:

	2025	2024
Student tuition and fees	\$ 172,541,880	\$ 182,798,967
Less student financial aid	(64,431,290)	(70,768,365)
Total tuition and fees	\$ 108,110,590	\$ 112,030,602

University of La Verne

Notes to Financial Statements

Contributions – The University records contributions received, including unconditional promises to give, as revenues in the period received. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met. The University distinguishes between contributions received that increase net assets without donor restrictions, net assets with donor restrictions in perpetuity and net assets with donor restrictions for time and purpose, and recognizes the expiration of donor-imposed restrictions in the period in which the restrictions expire.

A portion of revenue is derived from cost-reimbursable federal contracts, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The University was awarded cost-reimbursable grants of \$3,582,038 that have not been recognized as of June 30, 2025 because qualifying expenditures have not yet been incurred.

Cash and cash equivalents – Short-term investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents. Short-term investments with an original maturity greater than three months, but less than one year are included in investments. Cash and cash equivalents are reported at cost, which approximates fair value. The University maintains cash in various financial institutions that periodically, and as of year-end, exceeds federally insured limits. Management does not consider this concentration to be a significant credit risk.

Cash whose use is limited – Indenture requirements of bond financing (see Note 9 – Bonds and Notes Payables) provide for the establishment and maintenance of various accounts with trustees. The indenture terms limit the use of these funds to the construction of plant facilities and payment of principal and interest to bond holders. Cash whose use is limited is comprised of cash equivalents, government, and corporate securities and is recorded at cost, which approximates fair value.

Accounts and notes receivable – Accounts and notes receivable are reported at net realizable value and face value less an allowance for credit, respectively. Accounts receivable are primarily related to student balances related to tuition and fees, and notes receivable are primarily related to student financial aid programs. Accounts and notes receivable are written off against the allowance for credit when determined to be uncollectible based upon management's assessment of individual accounts. The allowance for credit is estimated based on the University's historical experience, as well as knowledge of current conditions and expectations about future collectability. The majority of the University's notes receivable represents amounts due under federally guaranteed programs; therefore, no reserves are recorded for the federal portion.

Investments – Investments are stated at fair value. Net gains or losses on investments, which consist of the realized gains or losses and the unrealized appreciation or depreciation on those investments, are shown in the accompanying statement of activities. Realized gains or losses on the sale of investments are recorded on the trade date.

The alternative investments, which are not readily marketable, are carried at fair value as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those fair values may differ significantly from the values that would have been used had a ready market for these securities existed as well as the ultimate sale that may be received upon disposition.

University of La Verne Notes to Financial Statements

Securities acquired by gift are recorded at their fair value at the date of gift. The University's policy is to liquidate all gifts of securities immediately upon receipt.

Treatment of endowments – As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Property, plant, and equipment – Property, plant, and equipment are generally stated at cost or fair value at the date of the gift less accumulated depreciation. The University employs a monthly depreciation convention whereby assets acquired during any time of the month receive a full month's depreciation. Subsequently, depreciation is computed on a straight-line basis over the estimated useful lives of the assets according to the following schedule:

Buildings	40 years
Equipment	3 – 7 years
Improvements	20 years

The University records conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated useful life of the associated asset. The fair value of the conditional asset retirement obligations is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is calculated using a credit-adjusted interest rate applicable to the University in order to determine the fair value of the conditional asset retirement obligations. As of June 30, 2025, \$575,515 of conditional asset retirement obligations is included within accounts payable and accrued liabilities in the accompanying statements of financial position.

Intangible assets – The University's intangible assets are recorded at the fair value of certain identifiable assets at the time that a controlling interest in such assets was acquired (Note 8). Goodwill represents the excess of (i) the fair value of the acquired entity over (ii) the fair value of the acquired net assets at the time that controlling interest was transferred. Intangible assets are generally stated at cost less accumulated amortization. The University employs a monthly amortization convention whereby intangible assets acquired during any time of the month receive a full month's amortization. Subsequently, amortization is computed on a straight-line basis over the estimated useful lives of the assets according to the following schedule:

Goodwill	10 years
Trade name	10 years
Course library	7 years

University of La Verne

Notes to Financial Statements

Leases – The University has entered into a variety of operating and finance leases for remote campuses, offices, and equipment. As of July 1, 2020, the University adopted Accounting Standards Update (ASU) 2016-02, *Leases*. Per the standard, the obligations associated with these leases have been recognized as a liability in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate. As of June 30, 2025, \$2,603,291 was recognized as a lease liability and as a corresponding right-of-use asset; the amounts are included in the accounts payable and accrued liabilities and prepaid expenses and other assets, respectively on the statements of financial position. The University elected the short-term lease exemption policy, as well as the practical expedient that allows lessees to treat the lease and non-lease components as a single lease component. Refer to Note 14 for details.

Annuity and life income contracts and agreements – The University has legal title to annuity and life income contracts and agreements subject to life interests of beneficiaries. No significant financial benefit is now being or can be realized until the contractual obligations are released.

The University uses the actuarial method of recording annuity and life income contracts and agreements. Under this method, the asset is recorded at fair value when a gift is received. The present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is charged with payments to beneficiaries. Annual adjustments are made between the liability account and the net assets account for investment income and gains, as well as actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at the University's credit-adjusted rate (ranging from 1.2% to 6.0%) at the time such contracts were recorded and over their estimated lives, according to the 2000 census mortality tables.

Use of estimates – The preparation of financial statements in conformity with U.S. GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tax status – The University follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

University of La Verne

Notes to Financial Statements

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The University has also been recognized by the California Franchise Tax Board as exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. The University has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The University has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Note 3 – Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2025, consists of the following:

Student accounts receivable, net of allowance for credit losses of \$756,526	\$ 5,424,276
Student notes receivable, net of allowance for credit losses of \$80,000	3,202,340
Other receivables, net of allowance for credit losses of \$2,695,594	<u>4,765,798</u>
Total accounts and notes receivable	<u><u>\$ 13,392,414</u></u>

Long-term notes receivable at June 30, 2025, consists of the following:

	Financing Receivables	Allowance for Credit Losses	Net
Perkins loans	\$ 261,538	\$ -	\$ 261,538
Other student loans	<u>3,020,802</u>	<u>80,000</u>	<u>2,940,802</u>
Total long-term notes receivable	<u><u>\$ 3,282,340</u></u>	<u><u>\$ 80,000</u></u>	<u><u>\$ 3,202,340</u></u>

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed. The other student loans receivable represents the amounts due from current and former students under the University's institutional loan program funded by the Weingart Foundation. On an annual basis, the University replenishes the Weingart funds for those loans that are in a default status. The current fiscal year defaults were \$94,564 bringing the accumulated total of defaulted loans since the program inception to \$1,054,507 as of June 30, 2025.

University of La Verne

Notes to Financial Statements

The Perkins loan program expired on September 30, 2017. No additional disbursements are permitted after June 30, 2018. The University may choose to assign outstanding Perkins loans to the Department of Education or liquidate their revolving fund. However, if loans are assigned, the Department of Education will keep all monies collected, including the institutional capital contribution amount. If the University elects to keep servicing the outstanding loans and remit excess cash (as defined) annually, the University would then be permitted to keep the institutional capital contribution amount and repurpose those funds.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the student loan receivable detail and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis. The University will continue to monitor the impact of external economic conditions, in conjunction with changing funding sources for the various student populations.

It is the University's policy to consider a loan delinquent when it is 120 days or more past due. Appropriate notification is sent to the student that the loan is considered in default. The following table illustrates the aging analysis of receivables at June 30, 2025:

	Current	30-59 Days Past Due	60-89 Days Past Due	>90 Days Past Due	Total Past Due	Total Financing Receivables
Perkins loans	\$ 174,601	\$ 179	\$ 198	\$ 86,560	\$ 86,937	\$ 261,538
Other student loans	1,791,405	562	400	1,228,435	1,229,397	3,020,802
Total	<u>\$ 1,966,006</u>	<u>\$ 741</u>	<u>\$ 598</u>	<u>\$ 1,314,995</u>	<u>\$ 1,316,334</u>	<u>\$ 3,282,340</u>

Note 4 – Pledges Receivable

Pledges receivable consists of unconditional promises to give to the University in the future and are recorded at their estimated fair value. Pledges due beyond one year have been discounted at the treasury rate (ranging from 4% to 6%).

Pledges receivable of \$72,450 at June 30, 2025 are expected to be collected in less than one year.

Pledges receivable at June 30, 2025, are intended for the following uses:

Endowment	\$ 33,059
Restricted	16,666
Unrestricted	<u>22,725</u>
Total pledges receivable	<u>72,450</u>
Less allowance for doubtful pledges	<u>(30,703)</u>
Pledges receivable, net	<u>\$ 41,747</u>

University of La Verne Notes to Financial Statements

Note 5 – Investments

Investments recorded at fair value consist of the following at June 30, 2025:

Short-term investments	\$ 1,848,989
Mutual funds	146,640,769
Equities	16,283,231
Fixed income	79,857,579
Alternative investments	4,754,564
Insurance policies	<u>4,697,547</u>
 Total investments	 <u><u>\$ 254,082,679</u></u>

In addition to the investments carried at fair value, the University holds \$1,595,030 in real estate investments, which are carried at cost.

U.S. GAAP has established a framework to measure fair value, and defined the required disclosures about fair value measurements. Financial Accounting Standards Board (FASB) *ASC 820, Fair Value Measurements*, favors the use of market-based information over entity-specific information. The standard prescribes a three-level hierarchy for fair value measurements based on the transparency of information, such as the pricing source, used in the valuation of an asset as of the measurement date.

Investments measured and reported at fair value are classified and disclosed in one of the following categories.

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date, without adjustment. The type of investments in Level 1 include listed equities held in the name of the University, and exclude listed equities and other securities held indirectly through commingled funds.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. Investments that are included in this category generally include privately-held investments and securities held in partnership format.

Net Asset Value (NAV) – An investment for which fair value is measured using net asset value per share (or its equivalent) and is included in a separate category to permit reconciliation.

University of La Verne Notes to Financial Statements

Fair value hierarchy of investments – The following table presents the University’s fair value hierarchy levels as of June 30, 2025:

	Level 1	Level 2	Level 3	NAV	Total
Equity securities, U.S.	\$ 14,554,378	\$ -	\$ 35,800	\$ -	\$ 14,590,178
Equity securities, non-U.S.	1,693,053	-	-	-	1,693,053
Fixed income securities, U.S.	24,137,723	47,659,018	-	-	71,796,741
Fixed income securities, non-U.S.	-	8,060,838	-	-	8,060,838
Cash equivalents	1,848,989	-	-	-	1,848,989
Mutual funds, U.S.	94,452,781	-	-	-	94,452,781
Mutual funds, non-U.S.	52,187,988	-	-	-	52,187,988
Hedge fund, fund of funds	-	-	-	4,754,564	4,754,564
Contributed life insurance	-	4,697,547	-	-	4,697,547
Total	\$ 188,874,912	\$ 60,417,403	\$ 35,800	\$ 4,754,564	\$ 254,082,679

Equity securities, U.S. – These investments are comprised primarily of common stocks in U.S. companies and are intended to provide income and capital growth. Those traded on an active exchange and priced using unadjusted market quotes for identical assets are classified as Level 1. Those securities not traded on an active exchange are classified as Level 3.

Equity securities, non-U.S. – These investments are comprised primarily of common stocks in companies located in Europe and Asia and are intended to provide income and capital growth. These securities are traded on an active exchange, priced using unadjusted market quotes for identical assets, and are classified as Level 1.

Fixed income securities, U.S. – These investments are U.S. assets and include U.S. Treasury and Agency issues, corporate bonds, and other asset-backed securities. These securities are intended to provide long-term real returns while focusing on principal preservation. Some are classified as Level 1, as the securities are traded on an active exchange and priced using unadjusted market quotes for identical assets. Others are classified as Level 2 as the valuation is derived from pricing inputs other than unadjusted market quotes of identical assets.

Fixed income securities, non-U.S. – These investments are non-U.S. corporate securities. These securities are intended to provide long-term real returns while focusing on principal preservation. They are classified as Level 2 as the valuation is derived from pricing inputs other than unadjusted market quotes of identical assets.

Cash equivalents – Cash equivalents include cash deposits, which seek to provide current income while maintaining liquidity. Cash equivalents are classified as Level 1.

Mutual funds – Mutual funds consist of several distinct funds with varying portfolio compositions and objectives. These investments are traded on an active exchange, are priced using unadjusted market quotes for identical assets, and classified as Level 1.

University of La Verne Notes to Financial Statements

Hedge fund, fund of funds – These funds are primarily composed of equities, specialized debt and credit instruments, and multi-strategy assets. The underlying funds invest in long and short common stocks of U.S. and non-U.S. issuers; long and short corporate bonds and other fixed income securities, including distressed securities of both U.S. and non-U.S. issuers; and other investment vehicles, including but not limited to, risk arbitrage, convertible bond arbitrage, and intra-capital arbitrage. Those traded on an active exchange and priced using unadjusted market quotes for identical assets are classified as Level 1. The NAV may be utilized to determine the fair value for the investment value as of June 30, 2025. If so, they are disclosed under the NAV category.

Life insurance – These funds are primarily invested in annuity contracts, U.S. and foreign equities, and debt instruments. They are classified as Level 2 as the valuation is derived from pricing inputs other than unadjusted market quotes of identical assets.

The following table summarizes the University's Level 3 reconciliation for the year ended June 30, 2025:

	Beginning Balance	Unrealized Gain/Loss	Ending Balance
Stocks-private equity	\$ 35,800	\$ -	\$ 35,800
Total	\$ 35,800	\$ -	\$ 35,800

The University recognizes transfers in and out of Level 3 at the beginning of the fiscal year.

The following table lists the University's alternative investments by major investment category:

Category of Investment	Investment Strategy	Fair Value Determined Using NAV	Number of Funds	Unfunded Commitment	Remaining Life	Redemption Restrictions and Terms
Hedge fund – fund of funds	Employing directional, defensive, and other strategies and a combination of U.S. and Foreign Assets. Defensive strategies include 4% allocation – other, and 5% allocation – cash	\$ 4,754,564	4	\$ -	N/A	Ranging from no restrictions to 2-yrs rolling liquidity with 95-days notice and a first available date of April 1, 2018
Total		\$ 4,754,564		\$ -		

Note 6 – Endowments

The University's endowment consists of individual donor-restricted funds and board-designated restricted funds. The net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. For the board-designated funds functioning as endowment, the net assets are classified as without donor restrictions. During the current year, the University has made a reclassification of net assets to appropriately reflect market value changes in board-designated funds separate from endowment funds with donor restrictions.

University of La Verne Notes to Financial Statements

The Board of Trustees of the University has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies the following as net assets with donor restrictions: (a) the original value of gifts donated to the perpetual endowment; (b) the original value of subsequent gifts to the perpetual endowment; and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is classified as with net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund:

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

The following tables present the University's endowment composition, changes, and net asset classifications as of June 30 and for the indicated years.

Endowment net asset composition by type of fund as of June 30, 2025, is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment	\$ -	\$ 98,409,952	\$ 98,409,952
Board-restricted endowment	63,069,094	-	63,069,094
Total endowment	\$ 63,069,094	\$ 98,409,952	\$ 161,479,046

University of La Verne
Notes to Financial Statements

Changes in endowment net assets for the year ended June 30, 2025, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 55,449,557	\$ 91,510,017	\$ 146,959,574
Investment gains/losses and income	7,619,537	10,742,123	18,361,660
Contributions	-	(953,591)	(953,591)
Appropriation of endowment for expenditure	3,369,409	(3,369,409)	-
Expended appropriation	(3,369,409)	-	(3,369,409)
Net transfers	-	480,812	480,812
Endowment net assets, end of year	<u>\$ 63,069,094</u>	<u>\$ 98,409,952</u>	<u>\$ 161,479,046</u>

Endowment spending policy – The Board members of the University, in setting the endowment spending policy, considered the following factors: 1) preservation of asset values; 2) preservation of purchasing power; and 3) consistency of spending over time. The University’s Board adopted a spending policy of 4.50% of the twelve-quarter moving average market value of the endowment pool for the year ended June 30, 2025 with a view toward balancing the need for expendable funds for University programs against the need to preserve the endowment against inflation. In order to achieve the objective of maintaining purchasing power, the endowment’s annual rate of return must equal the annual distribution, plus inflation, plus management, custodial and administrative fees. The twelve-quarter moving average of the portfolio’s market value protects the University’s distribution from market volatility. Distributions are provided to students for scholarships, various colleges, and programs in accordance with donor designations.

Return objectives and risk parameters – The University has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to maximize the return against a blended index, based on the endowment’s target allocation applied to the appropriate individual benchmarks. The University expects its endowment funds over time to provide an average rate of return of equal to the Consumer Price Index (CPI), endowment management fees and annual spending policy. Actual returns in any given year may vary.

Relationship of spending policy to investment objectives – As discussed above, the University’s Board of Trustees determines the method to be used to appropriate endowment funds for expenditure. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. Accordingly, over the long term, the University expects that the endowment’s investments will earn in excess of what is spent annually for the support of scholarships and programs. The expected average annual return is established by taking into consideration a 4.50% spending policy, the CPI, and endowment management fees.

Pooled endowments – Certain endowments are pooled, where permitted, by gift agreement and/or applicable government regulations. Pooled endowments and the allocation of the related investment income are accounted for on a unit-market-method. Each individual fund subscribes to, or disposes of, units on the basis of the value per unit on the preceding quarter valuation date.

University of La Verne
Notes to Financial Statements

Note 7 – Property, Plant, and Equipment

Property, plant, and equipment consists of the following at June 30, 2025:

Land	\$ 24,766,705
Buildings and improvements	222,695,595
Equipment	72,309,355
Asset retirement capitalized cost	426,750
Construction in progress	<u>8,810,092</u>
	329,008,497
Less accumulated depreciation	<u>(173,736,632)</u>
Property, plant, and equipment, net	<u><u>\$ 155,271,865</u></u>

Depreciation expense for the year ended June 30, 2025, was \$9,822,266.

Note 8 – Intangible Assets

Intangible assets are due to the purchase of the Professional Development Courses from PDC, Inc. These courses are primarily to serve educators in both the private and public education sectors. Prior to purchase, the University contracted with PDC, Inc. to provide these courses for over twenty years.

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Intangible Assets, Net</u>
Trade name	\$ 425,000	\$ (95,625)	\$ 329,375
Course library	1,446,000	(464,786)	981,214
Goodwill	<u>2,629,000</u>	<u>(591,525)</u>	<u>2,037,475</u>
Total intangibles	<u><u>\$ 4,500,000</u></u>	<u><u>\$ (1,151,936)</u></u>	<u><u>\$ 3,348,064</u></u>

Amortization expense for the year ended June 30, 2025, was \$511,971. The University is expected to amortize the intangible assets as follows over the next five fiscal years:

2026	\$ 511,971
2027	511,971
2028	511,971
2029	511,971
2030	511,971

University of La Verne
Notes to Financial Statements

Note 9 – Bonds and Notes Payables

Bonds and notes payables consist of the following at June 30, 2025:

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Total</u>
Wells Fargo Bank (CMFA) Nontaxable Series 2017A	3.83%	2047	\$ 93,615,000
Note payable – Bon Appetit	0.00%	2028	158,119
Note payable – Sodexo	0.00%	2032	<u>403,183</u>
			94,176,302
Add (less)			
Unamortized bond premium			9,110,731
Unamortized bond discount			(426,844)
Unamortized bond issuance costs			<u>(584,589)</u>
Bonds and notes payables, net			<u><u>\$ 102,275,600</u></u>

The CMFA 2017 A bonds are unsecured and have no financial debt covenants.

In addition to refinancing prior bonds, the CMFA 2017 A bonds, provided an additional \$42,000,000 of funds. The funds were mostly utilized toward the construction of a new residence and dining hall.

The note payable - Bon Appetit represents a \$500,000 unsecured non-interest-bearing note due to Bon Appetit Management Co. The University was required to use those funds toward capital improvements to facilitate the dining service program at the University. The note is payable over 117 months, beginning October 2018 through June 2028.

The note payable – Sodexo represents a \$550,000 unsecured non-interest-bearing note due to Sodexo America, LLC. The note proceeds are to be utilized at The University's discretion. The note is payable over 120 months, beginning July 2022 through June 2032.

Principal payments on the obligations for each of the next five fiscal years and thereafter as of June 30, 2025 are as follows:

2026	\$ 3,610,556
2027	3,671,282
2028	3,581,281
2029	3,730,000
2030	3,865,000
Thereafter	<u>75,718,183</u>
Total principal payments	<u><u>\$ 94,176,302</u></u>

University of La Verne

Notes to Financial Statements

Note 10 – Liquidity and Availability of Financial Assets

Financial assets available within one year of the statement of financial position as of June 30, 2025, for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction not financed with debt, are as follows:

Financial assets available	
Cash and cash equivalents	\$ 40,469,212
Accounts and notes receivable, net	13,392,414
Pledges receivable, net	41,747
Investments	<u>255,677,709</u>
Total available financial assets	<u>309,581,082</u>
Amounts unavailable for general expenditure within one year, due to:	
Student notes receivable	(3,282,340)
Investments and other financial assets held for others	(1,249,692)
Property held as investment	(1,595,030)
Restricted by donors for time and purpose	(85,885,422)
Restricted by donors in perpetuity	(50,111,708)
Investments and perpetual trusts held by others not convertible to cash within 12 months	<u>(498,190)</u>
Total amounts unavailable for general expenditure within one year	<u>(142,622,382)</u>
Amounts unavailable without Board approval:	
Funds functioning as endowment	
Funds designated for reserves	(61,005,631)
Student scholarships	(2,002,263)
Research	<u>(61,200)</u>
Total amounts unavailable without Board approval	<u>(63,069,094)</u>
Financial assets available for general expenditure within one year	<u><u>\$ 103,889,606</u></u>

A significant portion of the University's annual expenditures are supported by current-year operating revenues, including student tuition and fees, grants and contracts, and sales and services of auxiliary enterprises. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As part of its liquidity management, the University invests cash in excess of daily requirements in short-term investments such as money market funds, short-term bond funds and corporate bonds. The University's investments also contain investments that may not be readily available (convertible to cash), given the nature of the investment.

Income from donor-restricted endowments that is restricted for specific purposes is not available for general expenditure. As described in Note 6, the University's board-designated endowments are subject to an annual spending rate. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated per the Board's annual spending rate approval), these amounts of \$61,005,631 could be made available if necessary.

University of La Verne Notes to Financial Statements

The University has a \$5,000,000 line of credit bearing interest either at the CB floating rate for CBFRR borrowing or at the adjusted term SOFR for the interest period in effect. No amounts have been drawn on this line of credit as of June 30, 2025.

Note 11 – Net Assets

The classifications of net assets at June 30, 2025, are as follows:

Without donor restrictions	
Available for operations	\$ 65,109,877
Designated for:	
Funds functioning as endowment	63,069,094
Facilities and equipment	<u>72,586,547</u>
Total net assets without donor restrictions	<u>\$ 200,765,518</u>
With donor restrictions	
Annuity and life income agreements restricted for future operations	\$ 3,910,388
Scholarship and grants	11,108,387
Temporarily restricted endowment funds	52,562,017
Pledges and other restricted gifts	18,304,630
Endowment to support University programs	45,847,935
Revolving student loans	<u>4,263,773</u>
Total net assets with donor restrictions	<u>\$ 135,997,130</u>

Note 12 – Fundraising Expenses

For the year ended June 30, 2025, the University incurred fundraising expenses of \$3,911,087, which are included in institutional support in the accompanying statement of activities.

Note 13 – Employee Benefit Plans

The University participates in two defined contribution retirement plans that provide retirement benefits for employees. The University and plan participants make contributions to purchase individual, fixed or variable annuities equivalent to the retirement benefits earned. The plans require a 5% contribution by the participants and a 8% contribution by the University. University vesting provisions are full and non-forfeitable upon completion of three years of service. University contributions related to the plans were \$4,222,739 for the year ended June 30, 2025.

University of La Verne
Notes to Financial Statements

Note 14 – Leases

The right-of-use asset and corresponding liability associated with future lease payments at June 30, 2025, are shown below:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
Right-of-use asset	\$ 2,603,291	\$ -	\$ 2,603,291
Lease liability	2,603,291	-	2,603,291
Weighted-average discount rate	2.10%		
Weighted-average remaining lease term in years	2.6		

Lease costs reported in services, supplies, and other within the operating expenses of the statement of activities amounted to \$1,672,019 in fiscal 2025 as follows:

Operating lease costs	\$ 1,539,927
Leases not in scope of FASB ASU 2016-02	132,092
Finance lease costs	-
Total	<u>\$ 1,672,019</u>

The following operating lease payments are expected to be paid for each of the following fiscal years ending June 30:

	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2026	\$ 1,143,092	\$ -	\$ 1,143,092
2027	973,349	-	973,349
2028	379,496	-	379,496
2029	58,950	-	58,950
2030	32,237	-	32,237
Thereafter	<u>117,472</u>	<u>-</u>	<u>117,472</u>
	2,704,596	-	2,704,596
Less: present value discount	<u>(101,305)</u>	<u>-</u>	<u>(101,305)</u>
Total lease liability	<u>\$ 2,603,291</u>	<u>\$ -</u>	<u>\$ 2,603,291</u>

Note 15 – Commitments and Contingencies

In the normal course of operations, the University is named as a defendant in lawsuits and is subject to periodic examinations by regulatory agencies. After consultation with legal counsel, management is of the opinion that liabilities, if any, arising from such litigation and examinations would not have a material effect on the University's financial position.

University of La Verne

Notes to Financial Statements

Certain federal grants, including financial aid that the University administers and for which it receives reimbursements, are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the University expects such amounts, if any, would not have a significant impact on the financial position of the University.

The University's grant and contract funding is subject to various risks, including changes in government policy and potential executive orders issued by the current federal administration. These recent executive orders may result in modifications, delays, or cancellations of such federal grants and contracts. The University has assessed these risks and believes that any potential impact from such executive orders is uncertain. The ultimate effect on the University's financial position and changes in net assets will depend on future governmental actions and the timing of their implementation. The University will continue to monitor developments related to these executive orders and will take appropriate actions as necessary.

Note 16 – Related Parties

Members of the University's Board of Trustees and senior and mid-level management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. For senior management, the University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover both senior and mid-level management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws. No such associations are considered to be financially significant at June 30, 2025.

Note 17 – Subsequent Events

The University has performed an evaluation of subsequent events through November 21, 2025, which is the date the financial statements are issued.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.