REPORT OF INDEPENDENT AUDITORS
AND CONSOLIDATED FINANCIAL STATEMENTS

AMERICAN JEWISH UNIVERSITY

Years Ended June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
American Jewish University

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Jewish University (the "University"), which comprise the consolidated statements of financial position as of June 30, 2020, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of American Jewish University as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The summarized comparative information presented herein was derived from the prior year financial statements of the University, as of and for the year ended June 30, 2019. The prior year financial statements and comparative information were audited by other auditors whose report dated December 20, 2019, expressed an unmodified opinion on those statements.

Moss Adams LLP

Los Angeles, California
December 22, 2020

ASSETS

	Notes	June 30, 2020	June 30, 2019
Cash and cash equivalents		$ 2,153,284	$ 2,708,380
Investments	3,4,8	87,644,629	96,174,822
Accounts and other receivables (net)		195,680	710,794
Contributions receivable (net)	5	3,432,598	1,499,799
Inventories		66,617	148,366
Prepaid expenses and other assets		1,021,938	666,370
Property and equipment (net)	6	33,825,707	33,787,253
Collections of art and literature	2	-	-
Total assets		$ 128,340,453	$ 135,695,784

LIABILITIES AND NET ASSETS

	Notes	2020	2019
LIABILITIES			
Accounts payable and accrued expenses		$ 6,111,861	$ 5,176,427
Deferred revenue		59,243	2,343,712
Notes payable (net)	7	37,690,351	33,186,189
Total liabilities		43,861,455	40,706,328
NET ASSETS			
Without donor restrictions		13,589,587	24,576,233
With donor restrictions	10	70,889,411	70,413,223
Total net assets		84,478,998	94,989,456
Total liabilities and net assets		$ 128,340,453	$ 135,695,784

American Jewish University
Consolidated Statement of Activities

	Notes	Year Ended June 30, 2020 Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND PUBLIC SUPPORT				
Tuition and fees (net of scholarships and financial aid of $2,069,871)		$ 2,031,757	$ -	$ 2,031,757
Gifts, grants, and bequests		3,477,209	3,266,167	6,743,376
Program, sales, and services		53,731	-	53,731
Auxiliary enterprises		5,374,572	-	5,374,572
Investment income (net)	3	307,744	1,177,114	1,484,858
Income from ZSRS	4	-	502,139	502,139
Other income		53,484	-	53,484
Net assets released from restrictions		4,469,232	(4,469,232)	-
Total revenues and public support		15,767,729	476,188	16,243,917
EXPENSES				
Program services				
Academic		7,613,418	-	7,613,418
Auxiliary enterprises		7,739,871	-	7,739,871
Department of continuing education		1,623,302	-	1,623,302
Total program services		16,976,591	-	16,976,591
Supporting services				
Management and general		8,110,437	-	8,110,437
Fundraising		1,667,347	-	1,667,347
Total supporting services		9,777,784	-	9,777,784
Total expenses		26,754,375	-	26,754,375
Change in net assets		(10,986,646)	476,188	(10,510,458)
NET ASSETS, beginning of year		24,576,233	70,413,223	94,989,456
NET ASSETS, end of year		$ 13,589,587	$ 70,889,411	$ 84,478,998

See accompanying notes.

	Notes	Year Ended June 30, 2019 Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND PUBLIC SUPPORT				
Tuition and fees (net of scholarships and financial aid of $2,753,593)		$ 2,869,808	$ -	$ 2,869,808
Gifts, grants, and bequests		4,196,995	2,385,592	6,582,587
Program, sales, and services		54,408	-	54,408
Auxiliary enterprises		6,651,147	-	6,651,147
Investment income (net)	3	2,503,695	2,175,658	4,679,353
Income from ZSRS	4	-	629,665	629,665
Other income		186,835	-	186,835
Net assets released from restrictions		4,845,203	(4,845,203)	-
Total revenues and public support		21,308,091	345,712	21,653,803
EXPENSES				
Program services				
Academic		7,627,849	-	7,627,849
Auxiliary enterprises		7,846,603	-	7,846,603
Department of continuing education		1,962,198	-	1,962,198
Total program services		17,436,650	-	17,436,650
Supporting services				
Management and general		7,511,548	-	7,511,548
Fundraising		1,119,008	-	1,119,008
Total supporting services		8,630,556	-	8,630,556
Total expenses		26,067,206	-	26,067,206
Change in net assets		(4,759,115)	345,712	(4,413,403)
NET ASSETS, beginning of year		29,335,348	70,067,511	99,402,859
NET ASSETS, end of year		$ 24,576,233	$ 70,413,223	$ 94,989,456

American Jewish University
Consolidated Statement of Functional Expenses

	Year Ended June 30, 2020						
	Program Services				Supporting Services		
	Academic	Auxiliary Enterprises	Department of Continuing Education	Total Program Services	Management and General	Fundraising	Total Expenses
FUNCTIONAL EXPENSES							
Compensation	$ 4,331,520	$ 3,222,221	$ 977,978	$ 8,531,719	$ 3,561,892	$ 1,076,369	$ 13,169,980
Utilities and building maintenance	1,020,421	1,264,913	82,256	2,367,590	63,974	11,771	2,443,335
Depreciation	763,282	946,163	61,528	1,770,973	47,853	8,805	1,827,631
Interest	353,959	335,688	89,831	779,478	485,646	99,986	1,365,110
Insurance	168,274	159,588	42,706	370,568	230,879	47,534	648,981
Professional services	387,262	402,481	231,149	1,020,892	2,306,487	187,742	3,515,121
Food services	28,439	597,139	4,227	629,805	21,118	37,819	688,742
Supplies and other services	560,261	811,678	133,627	1,505,566	1,392,588	197,321	3,095,475
Total functional expenses	$ 7,613,418	$ 7,739,871	$ 1,623,302	$ 16,976,591	$ 8,110,437	$ 1,667,347	$ 26,754,375

	Year Ended June 30, 2019						
	Program Services				Supporting Services		
	Academic	Auxiliary Enterprises	Department of Continuing Education	Total Program Services	Management and General	Fundraising	Total Expenses
FUNCTIONAL EXPENSES							
Compensation	$ 4,146,107	$ 2,970,376	$ 594,471	$ 7,710,954	$ 3,638,374	$ 709,639	$ 12,058,967
Utilities and building maintenance	906,195	1,038,899	68,868	2,013,962	58,578	10,778	2,083,318
Depreciation	894,761	1,025,791	67,999	1,988,551	57,839	10,642	2,057,032
Interest	371,989	369,117	116,529	857,635	472,106	70,070	1,399,811
Insurance	138,568	137,498	43,408	319,474	175,861	26,101	521,436
Professional services	333,188	677,892	539,822	1,550,902	2,143,949	82,859	3,777,710
Food services	64,562	766,469	113,114	944,145	33,461	17,122	994,728
Supplies and other services	772,479	860,561	417,987	2,051,027	931,380	191,797	3,174,204
Total functional expenses	$ 7,627,849	$ 7,846,603	$ 1,962,198	$ 17,436,650	$ 7,511,548	$ 1,119,008	$ 26,067,206

See accompanying notes.

	Years Ended June 30, 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (10,510,458)	$ (4,413,403)
Adjustments to reconcile change in net assets to net cash flows used in operating activities		
Depreciation	1,827,631	2,057,032
Amortization of debt issuance costs	39,608	40,468
Net realized and unrealized (gains) on investments	(112,990)	(3,086,552)
Change in value of liability under gift annuities	5,223	990
Change in allowance for doubtful contributions receivable	41,049	(37,448)
Change in allowance for doubtful accounts and other receivables	(21,708)	-
Change in present value discount on contributions receivable	73,619	(69,741)
Equity income from ZSRS	(502,139)	(629,665)
Contributions restricted for endowment	(2,784)	(316,774)
Changes in operating assets and liabilities		
Accounts and other receivables	486,059	(262,804)
Contributions receivable	(2,047,467)	2,171,028
Inventories	81,749	(4,555)
Prepaid expenses and other assets	(355,568)	9,574
Accounts payable and accrued expenses	936,487	406,457
Deferred revenue	(2,284,469)	350,801
Net cash used in operating activities	(12,346,158)	(3,784,592)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,866,085)	(836,976)
Payments on notes receivable	50,763	-
Purchase of investments	(17,038,139)	(16,743,495)
Sale of investments	25,308,461	21,847,399
Distribution received from ZSRS	875,000	880,000
Net cash provided by investing activities	7,330,000	5,146,928
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted for endowment	2,784	316,774
Proceeds from notes payable	5,213,258	2,260,921
Principal payments on notes payable	(748,704)	(2,524,443)
Liability under gift annuities	(6,276)	(5,286)
Net cash provided by financing activities	4,461,062	47,966
CHANGE IN CASH AND CASH EQUIVALENTS	(555,096)	1,410,302
CASH AND CASH EQUIVALENTS, beginning of year	2,708,380	1,298,078
CASH AND CASH EQUIVALENTS, end of year	$ 2,153,284	$ 2,708,380
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 1,325,502	$ 1,359,343

See accompanying notes.

Note 1 – Nature of Organization

The American Jewish University (the "University") is a nonprofit educational institution built upon the mission of Jewish Learning, Culture, Ethics, Leadership, and Peoplehood. The University is accredited by the Western Association of Schools and Colleges ("WASC").

The University is the sole member of AJU BBI Holdings LLC and AJU Peppertree Holdings LLC. AJU BBI Holdings LLC, in turn, has a 100% ownership interest in a separate corporation, the Brandeis Mutual Water Company, which was established to protect the water rights for one of the University's campuses, the Brandeis-Bardin campus. The investment allows the University to buy its water from the local water district at cost. Brandeis Mutual Water Company has $75,000 in assets, included in other assets in the consolidated statement of financial position. There was no activity in these companies for the years ended June 30, 2020 and 2019.

The University also has a 100% equity interest in ZSRS Fund, LLC ("ZSRS"). ZSRS holds notes receivable and a number of minority interests in partnerships that own property in California and Arizona. The University accounts for this investment using the equity method of accounting for investments (See Note 4).

Jewish Television Network is wholly owned subsidiary of the University. Jewish Television Network primary purpose is to produce and distribute digital programming that reflects Judaism and Jewish values. Due to minimal operation in recent years, Jewish Television Network is expected to be dissolved during the year ending June 30, 2021.

The University is a designated beneficiary of the University of Judaism Foundation (the "Foundation"). The Foundation was established in 1980 by officers of the University to support the University and other public charities, as defined by the Internal Revenue Code. Under the terms of the Foundation's incorporating documents, the University receives a minimum of approximately 35% of the Foundation's annual income. Additional income amounts, as well as the principal of the Foundation, may be received by the University based upon annual designations of the Foundation's members. The University has the ability to control the majority of the board of directors of the Foundation.

Note 2 – Summary of Significant Accounting Policies

Principles of consolidation – The accompanying consolidated financial statements include the American Jewish University, AJU BBI Holdings LLC, Brandeis Mutual Water Company, AJU Peppertree Holdings LLC, and the Jewish Television Network (collectively, the "University"). All intercompany transactions and balances have been eliminated upon consolidation.

The University has not consolidated the Foundation's financial position and activities into these consolidated financial statements as it considers the impact to be immaterial.

Note 2 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting pronouncements – On July 1, 2019, the University adopted Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU No. 2018-08). The standards were adopted using the modified prospective method. The adoption of this standard did not have a material impact on its financial statements.

Basis of presentation – The consolidated financial statements have been prepared on the accrual basis of accounting.

Net assets – Net assets, revenues and support, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- *Net assets without donor restrictions.* Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The University has not designated any net assets for a special purpose.

- *Net assets with donor restrictions.* Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and cash equivalents – Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase.

The University maintains its temporary cash investments in bank deposit accounts and other investment accounts which, at times, may exceed federally insured limits. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Investments – Investments at June 30 consist of the following:

	2020	2019
Investments at fair value	$ 75,999,059	$ 84,117,629
Investments sales receivable	13,108	51,870
Investment in ZSRS, equity method	11,632,462	12,005,323
Total investments	$ 87,644,629	$ 96,174,822

Note 2 – Summary of Significant Accounting Policies (continued)

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investments in alternative strategies, for which there is no readily available market, are valued by the University using methods that management believes provide a reasonable estimate of fair value. These methods include initial due diligence and ongoing monitoring by management of investment funds. Valuations based on fair value using the net asset value (NAV) per share (or its equivalent) of such investment funds as a practical expedient for fair value. The University has estimated the fair value of these funds by using the NAV provided by the fund's managers.

The University accounts for equity method investments by recording the University's share of income or loss in the consolidated statement of activities for each period.

Investment purchases and sales are accounted for on a trade-date basis, which resulted in receivables and payables on trades that had not yet settled at the financial statement date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income are recorded when earned. Gains or losses (including investments bought, sold, and held during the year), and interest and dividend income net of investment fees are reflected in the consolidated statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Because of the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could be material.

Investments are made according to the investment policies, guidelines, and objectives adopted by the University's Board of Directors. Fair values of such investments are routinely reviewed by the Investment Committee of the Board of Directors.

Accounts and other receivables – Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The University does not obtain collateral and does not charge interest on balances due. The carrying value of receivables, net of the allowance for doubtful accounts, represents their estimated fair value. The allowance for doubtful accounts is estimated based on historical collection trends, type of customer, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2020 and 2019, management evaluated the collectability of its receivables and determined that an allowance of $32,485 and $54,193, respectively, for uncollectible receivables was necessary.

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions receivable – Unconditional contributions, including pledges and bequests are recorded at estimated fair value, and recognized as revenues in the period received. The University reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Conditional promises to give are not included as support until such time as the conditions are substantially met. At June 30, 2020 and 2019, the University had conditional contributions totaling approximately $83,820 and $209,832, respectively, restricted for the Master of Arts in Teaching program.

Inventories – Inventories consist mainly of items held for sale in the University's food service and are stated at the net realizable value and accounted for using the first-in, first-out (FIFO) method.

Property and equipment – Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. The University capitalizes all long-lived physical assets in excess of $1,000. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	5 years
Automotive equipment	5 years

Expenditures for repairs and maintenance are charged to operations when incurred while renewals and betterments are capitalized.

Debt issuance costs – Debt issuance costs are amortized by use of the straight-line method over the anticipated life of the related debt. Debt issuance costs, other than those costs related to line of credit arrangements, are netted against the corresponding liability as shown in Note 7. The amortization of these costs is included in interest expense.

Long-lived assets – The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable.

An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the years ended June 30, 2020 and 2019.

Note 2 – Summary of Significant Accounting Policies (continued)

Collections of art and literature – The University's library collection, fine art works and sculpture collection, which were acquired through contributions and purchases, are not recognized as assets on the consolidated statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the consolidated financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires deaccessioning proceeds to be used to acquire other items for collections or for direct care of the collection.

Gift annuities – The University has received donations of assets in exchange for distributions of a fixed amount for a specific period of time to the donor or other beneficiaries. Assets contributed by donors under gift annuity agreements and controlled by the University are recognized at fair value with a corresponding liability to beneficiaries of the annuity agreements. The excess of the cash received over the present value of the annuity obligation is recorded as contribution revenue on the date the annuity gift is received, and the liability is determined. Such liability is calculated as the present value of the estimated future cash flows to be distributed to the income beneficiaries over their expected lives. To the extent the University is entitled, annuity funds are transferred to operations upon the death of the annuitant. The University monitors reserve funds and is in compliance with guidelines specified by the State of California Department of Insurance. The present value of these liabilities included in accounts payable and accrued expenses amounted to $27,385 and $28,437, at June 30, 2020 and 2019, respectively. Amortization of the discount and changes in actuarial assumptions are included in the change in value of the liability under gift annuity agreements in the consolidated statements of activities.

Revenue Recognition and Deferred Revenue

Tuition and fees – Tuition and fees income is recognized as the educational services are provided. Tuition and fees received by the University for semesters or sessions occurring subsequent to June 30, 2020 and 2019, are recorded as deferred revenue. Certain federal grants which the University administers and for which it receives reimbursements are subject to inspection and audit by federal granting agencies. The purpose is to determine whether such funds were used in accordance with their respective guidelines and regulations. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time. The University expects that such amounts, if any, would not have a significant impact on the consolidated financial position of the University.

Gifts and grants – Unconditional contributions, including pledges recorded at fair value, are recognized as revenues in the period received. The University reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Contributions with a right-to-return and a barrier are considered to be conditional and, accordingly, are not included as revenue until such time as the conditions are substantially met.

Note 2 – Summary of Significant Accounting Policies (continued)

Bequests – Bequests are not recognized as support until all of the following conditions are met: the demise of testator, the amount of the bequest is known, the University is certain that, based on the estate's net assets, the amount bequeathed is realizable and the probate court has declared the will valid.

Auxiliary enterprises – Fees received in advance for conferences and camps are deferred and recognized as income in the period in which the related conferences and camps are held. Program and service revenues are recognized when the related services have been performed.

Income taxes – The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and the corresponding California provisions.

Functional allocation of expenses – The direct costs of providing the University's programs and other activities which are identifiable have been allocated to the related programs or supporting services. Indirect or shared costs are allocated among program and supporting services by the method that best measures the relative degree of benefit.

Use of estimates – The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Accordingly, actual results could differ from those estimates.

New accounting pronouncements – In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries following U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2018. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) – Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for the University for the year ended June 30, 2021. The University is currently evaluating the effect the provisions of ASU 2014-09 will have on its consolidated financial statements.

In February 2016, FASB issued ASU No. 2016-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the consolidated statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and provide additional information about the amounts recorded in the consolidated financial statements. For the University, the ASU will be effective for the year ending June 30, 2023.

Reclassification – For comparability, certain June 30, 2019 amounts have been reclassified, where appropriate, to conform with the consolidated financial statement presentation used at June 30, 2020; there was no impact to net assets.

Note 2 – Summary of Significant Accounting Policies (continued)

Subsequent events – The University has evaluated events and transactions occurring subsequent to the consolidated statement of financial position date of June 30, 2020, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through December 22, 2020, the date these consolidated financial statements were available to be issued. No such material events or transactions were noted to have occurred, except as otherwise noted in these consolidated financial statements.

Note 3 – Investments at Fair Value

Investments at fair value at June 30 consist of the following:

	2020	2019
Mutual funds – equity	$ 39,854,015	$ 40,577,762
Mutual funds – fixed income	11,143,212	17,845,420
Exchange traded funds	7,643,479	9,395,063
United States treasury bonds	1,999,640	-
Israel bonds	3,000	5,000
Alternative strategies	15,355,713	16,294,384
Total investments at fair value	$ 75,999,059	$ 84,117,629

Investments are generally pooled and managed under various asset diversification strategies, depending upon the specific pool's objectives, and to avoid significant concentrations of market risk. Under the University's endowment spending policy, certain amounts (based on percentage of the investment value of the endowment) are appropriated to support current operations.

Investments held for gift annuities are segregated and included in mutual funds - fixed income in the above investment schedule. The balance was $0 and $433,975, at June 30, 2020 and 2019, respectively. Investment income reflected in the consolidated statements of activities for the years ended June 30 consists of the following:

	2020	2019
Realized gains	$ 4,266,600	$ 3,289,360
Interest and dividend income, net of investment fees	1,371,868	1,592,801
Unrealized losses	(4,153,610)	(202,808)
Investment income (net)	$ 1,484,858	$ 4,679,353

Note 4 – Investment in ZSRS

The University holds a 100% equity interest in ZSRS, but is not the managing member and does not have substantive participating or kick-out rights. As of June 30, 2020 and 2019, the University does not control ZSRS, and therefore accounts for its membership interest in ZSRS using the equity method of accounting for investments. The University records its share of ZSRS's income or loss. Distributions received are recorded as a decrease in the carrying value of its investment in ZSRS.

Summarized financial information for ZSRS as of June 30:

	2020	2019
Cash	$ 1,205,542	$ 117,993
Notes receivable	2,082,753	3,136,626
Investments in partnerships	8,340,951	8,694,925
Other receivables	13,216	64,779
Total assets	$ 11,642,462	$ 12,014,323
Liabilities	$ 10,000	$ 9,000
Equity	11,632,462	12,005,323
Total liabilities and equity	$ 11,642,462	$ 12,014,323
Revenues (net)	$ 502,139	$ 629,665
Expenses	-	-
Net income	$ 502,139	$ 629,665

Note 4 – Investment in ZSRS (continued)

ZSRS has ownership interests ranging from approximately 16%–38% in eleven real estate partnerships. ZSRS accounts for the following partnership interests using the equity method as of June 30:

Partnership	Ownership Percentage	2020 Carrying Value	2019 Carrying Value
10th Street Ziegler Partnership	16.67%	$ 303,571	$ 295,078
29th Avenue Arizona Partnership	16.67%	177,703	182,187
409 N Genesse LP	21.11%	50,526	97,595
9015 & 9025 Rangely LP	30.21%	418,899	443,846
Santa Maria Industrial Building LLC	16.67%	842,344	842,275
Circle Partnership	37.77%	1,236,827	1,278,688
Glen Development Company	15.96%	2,007,062	1,965,030
Standard Saybrook Associates	16.67%	727,264	708,571
WPI Properties, Ltd.	19.36%	1,277,081	1,304,278
3933 Marathon LP	18.54%	601,670	852,377
7714 Rosewood LP	38.46%	698,004	725,000
Investments in partnerships		$ 8,340,951	$ 8,694,925

Note 4 – Investment in ZSRS (continued)

ZSRS holds the following promissory notes receivable at June 30:

	2020	2019
Promissory note collateralized by a second priority deed of trust from Cabrillo Partnership LP in the amount of $1,250,000. The note has a fixed interest rate of 4.5% and matures on January 15, 2027. Interest only of $4,688 is payable monthly and principal is payable on maturity date.	$ 1,250,000	$ 1,250,000
Promissory note collateralized by a first priority deed of trust from Circle Partnership in the original principal amount of $1,595,636. The note has a fixed interest rate of 5.5% and matures on December 31, 2020. Terms of the note require monthly interest-only payments of $2,992.	652,753	652,753
Promissory note collateralized by a third priority deed of trust from Cabrillo Partnership LP in the amount of $180,000. The amended note has a fixed interest rate of 4.5% and matures on January 15, 2027. Interest only of $675 is payable monthly and principal is payable on maturity date.	180,000	180,000
Promissory note collateralized by two second priority deeds of trust from S&D Reissman in the original principal amount of $1,080,000. The note has a fixed interest rate of 7% and matured on March 31, 2020.	-	878,872
Promissory note collateralized by deed of trust from 7714 Rosewood Partnership in the original principal amount of $175,000. The note has a fixed interest rate of 7% and matured on December 31, 2019.	-	175,000
Total notes receivable	$ 2,082,753	$ 3,136,625

Note 4 – Investment in ZSRS (continued)

The future maturity of notes receivable at June 30, 2020, is as follows:

Years Ending June 30,	
2021	$ 652,753
2022	-
2023	-
2024	-
2025	-
Thereafter	1,430,000
Total	$ 2,082,753

Note 5 – Contributions Receivable

Contributions receivable at June 30 are due to be received as follows:

	2020	2019
Due in 1 year	$ 1,591,867	$ 1,059,200
Due in 2–5 years	1,505,800	392,800
Due in over 5 years	518,000	116,200
Total	3,615,667	1,568,200
Less		
Allowance for doubtful contributions receivable	(72,613)	(31,564)
Discount to reflect present value of contributions receivable (discount rates ranging from 0.19%–2.61%)	(110,456)	(36,837)
Total contributions receivable (net)	$ 3,432,598	$ 1,499,799

As of June 30, 2020, there was $2,000,000 outstanding from one donor. There was no concentration as of June 30, 2019.

Note 6 – Property and Equipment

Property and equipment at June 30 consist of the following:

	2020	2019
Land	$ 5,169,104	$ 5,169,104
Buildings and improvements	74,827,444	73,085,736
Furniture and equipment	5,784,090	5,628,544
Automotive equipment	261,261	178,158
Construction in progress	701,123	815,395
Total	86,743,022	84,876,937
Less: accumulated depreciation	(52,917,315)	(51,089,684)
Property and equipment (net)	$ 33,825,707	$ 33,787,253

Depreciation expense for the years ended June 30, 2020 and 2019, was $1,827,631 and $2,057,032, respectively.

Buildings and improvements include the two campuses in Los Angeles and Simi Valley, California.

Note 7 – Notes Payable

The University is obligated under the following borrowing arrangements at June 30:

	2020	2019
$31,500,000 Mortgage Loan from a financial institution with an initial interest rate of 4% per annum, amortized over 30 years. The initial maturity date of August 1, 2025 may be extended for (i) 5 years with an annual interest rate of the 10 year Constant Maturity Treasury (CMT) rate plus 1.8% or 3.75%, whichever is the higher; or (ii) 10 years with an annual interest rate of the 10 year CMT rate plus 5% or 4%, whichever is the higher. Principal and interest payments of $151,640 are due monthly and a balloon payment is due upon final maturity. The mortgage loan is collateralized by certain assets of the University.	$ 28,663,835	$ 29,303,707
$10,120,999 Line of credit with a financial institution, collateralized by investments, and perpetual; interest at the financial institution's base rate less 4.25% or 1.25% and 3.5% as of June 30, 2020 and 2019; due on demand. The credit extension limit fluctuates daily with the loanable value of the pledged securities.	6,856,903	4,010,921
Note payable to a financial institution under the Paycheck Protection Program; principal and interest due monthly at 1%; unsecured; maturing on April 15, 2022, unless forgiven.	2,356,355	-
Note payable to a financial institution, paid in full during the year ended June 30, 2020.	-	97,911
Total notes payable	37,877,093	33,412,539
Less: unamortized debt issuance costs	(186,742)	(226,350)
Total notes payable (net)	$ 37,690,351	$ 33,186,189

Note 7 – Notes Payable (continued)

The notes payable maturity schedule is as follows:

Years Ending June 30,	
2021	$ 9,882,748
2022	697,152
2023	697,152
2024	725,956
2025	753,024
Thereafter	25,121,061
	37,877,093
Less: unamortized debt issuance costs	(186,742)
Total	$ 37,690,351

The base rate of the financial institution holding the line of credit was 5.50% and 7.75% at June 30, 2020 and 2019, respectively.

Interest expense incurred on these notes amounted to $1,365,109 and $1,399,811, for the years ended June 30, 2020 and 2019, respectively. Included in interest expense is amortization of debt issuance costs of $39,608 and $40,468 for the years ended June 30, 2020 and 2019, respectively.

In April 2020, the University qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act, from a qualified lender, for an aggregate principal amount of $2,356,355 (the “PPP Loan”). The PPP Loan bears interest at a fixed rate of one percent per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the University’s request and to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program. Qualifying expenses include payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the University. The University intends to apply for forgiveness of the PPP Loan with respect to these covered expenses. To the extent that all or part of the PPP Loan is not forgiven, the University will be required to pay interest on the PPP Loan at a rate of one percent per annum, principal and interest payments would be required through its maturity date in May 2022. The terms of the PPP Loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The PPP Loan may be accelerated upon the occurrence of an event of default. The University has applied for forgiveness of the entire loan balance.

Note 8 – Fair Value Measurements

The University has implemented an accounting standard for those assets (and liabilities) that are remeasured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

The following tables present information about the University's assets that are measured at fair value on a recurring basis at June 30, 2020 and 2019, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

		Fair Value Measurements Using			
	Year Ended June 30	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share or its Equivalent (NAV)
2020					
Mutual and exchange traded funds – equity	$ 39,854,015	$ 39,854,015	$ -	$ -	$ -
Mutual and exchange traded funds – fixed income	11,143,212	11,143,212	-	-	-
Exchange traded funds	7,643,479	7,643,479	-	-	-
United States treasury bonds	1,999,640	-	1,999,640	-	-
Israel bonds	3,000	-	3,000	-	-
Alternative strategies					
Multi-strategy	11,054,381	-	-	-	11,054,381
Long-term capital appreciation	24,121	-	-	-	24,121
International distressed bonds and equity	163,108	-	-	-	163,108
Fixed income	3,437,218	-	-	-	3,437,218
Real estate	676,885	-	-	-	676,885
Total investments at fair value	$ 75,999,059	$ 58,640,706	$ 2,002,640	$ -	$ 15,355,713

		Fair Value Measurements Using			
	Year Ended June 30	Quoted Prices in Active Markets for Identical Assets (Level 1	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value Per Share or its Equivalent (NAV)
2019					
Mutual and exchange traded funds – equity	$ 40,577,762	$ 40,577,762	$ -	$ -	$ -
Mutual and exchange traded funds – fixed income	17,845,420	17,845,420	-	-	-
Exchange traded funds	9,395,063	9,395,063	-	-	-
Israel bonds	5,000	-	5,000	-	-
Alternative strategies	16,294,384	-	-	-	16,294,384
Total investments at fair value	$ 84,117,629	$ 67,818,245	$ 5,000	$ -	$ 16,294,384

Note 8 – Fair Value Measurements (continued)

The fair values of mutual funds and exchange traded funds within Level 1 were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

The bonds within Level 2 were valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer.

The University recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. There were no transfers between Level 1 and 2 investments for the years ended June 30, 2020 and 2019. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between Level 2 and 3 investments for the years ended June 30, 2020 and 2019.

The following summarizes the investments by major class where NAV or its equivalent is used to measure fair value as of June 30, 2020:

	(In Thousands)				
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Notes
Multi-strategy securities	$11,054,381	$ 378,973	1 – 90 days	1 – 60 days	(a)
Long-term capital appreciation securities	24,121	N/A	Quarterly, after one-year lockup expires with a 10% gate	60-90 days	(b)
International distressed bonds and equity securities	163,108	898,886	Illiquid	N/A	(c)
Fixed income securities	3,437,218	N/A	Daily	None	(d)
Real estate securities	676,885	550,717	Illiquid	N/A	(e)
	$ 15,355,713	$ 1,828,576			

(a) Consists of limited partnerships utilizing multiple investment strategies.
(b) Consists of a hedge fund utilizing long-term capital appreciation investment strategy.
(c) Consists of a hedge fund utilizing international distressed bonds investment strategy.
(d) Consists of an open ended investment company utilizing a fixed income investment strategy.
(e) Consists of a private equity fund investing in real estate.

Note 9 – Commitments and Contingencies

In the ordinary course of conducting its business, the University may become involved in various lawsuits. Some of these proceedings may result in judgments being assessed against the University which, from time to time, may have an impact on its change in net assets. The University does not believe that these proceedings, individually or in the aggregate, are material to the accompanying consolidated financial statements.

Note 9 – Commitments and Contingencies (continued)

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the University's operations.

The University transitioned its students to online learning and almost all of its employees to remote work in mid-March of 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act was signed into law. Among other things, the CARES Act allocated $14 billion to higher education through the creation of the Education Stabilization Fund. Fifty percent of the emergency funds received by institutions must go directly to students in the form of emergency financial aid grants to cover expenses related to the disruption of campus operations due to COVID-19. Institutions may use remaining emergency funds not given to students on costs associated with significant changes to the delivery of instruction due to COVID-19.

The University received a total of approximately $111,000 in emergency funds with approximately $55,000 earmarked to go directly to students and approximately $55,000 for institutional support.

Administration of the University has been closely monitoring the impact of COVID-19 on the University's operations, including the impact on our students and employees. The duration and intensity of the pandemic are uncertain but may influence student enrollment and housing decisions, donor decisions, investment performance, and may also negatively impact collection of University receivables.

Note 10 – Net Assets Without Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2020	2019
General endowment funds	$ 19,664,613	$ 19,853,756
Endowment funds held for scholarships	2,687,265	2,667,293
General fund	4,041,751	4,671,685
Gift annuities	3,062	464,053
Property and equipment fund	3,339,534	3,495,084
Other funds	41,153,186	39,261,352
Total net assets	$ 70,889,411	$ 70,413,223

Endowment funds perpetually restricted total $21,659,280 and $21,589,803 as of June 30, 2020 and 2019, respectively.

Note 11 – Endowments

Endowment funds are established by donor-restricted gifts and bequests to either provide a perpetual endowment, which is to provide a perpetual source of income to the University, or a term endowment, which is to provide income for a specified period to the University.

The University's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor-restricted endowment funds, absent donor stipulations to the contrary; and (2) allowing the spending of income and gains on restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. The University therefore appropriates for expenditure or accumulates so much of an endowment fund as the Board determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established. In making a determination to appropriate or accumulate, the Board of Directors acts in good faith and with care that an ordinary prudent person in a like position would exercise under similar circumstances, keeping in mind the continued existence of the program the gift was intended to support.

The University's investment objectives are to provide the University with a rate of growth equal to or exceeding the University's annual draw rate or the rate of inflation, whichever is higher. The endowment assets are to be invested as a balanced portfolio consisting of equity, fixed income, cash equivalent securities and other assets with due regard to preservation and growth of principal.

The University's spending policy is designed to provide for positive growth in the market value of its endowment, net of distributions, over an extended period of time. In establishing this policy, the Board of Directors considered the long-term expected return of the endowment investment pool and the goal of maintaining the purchasing power of the endowment assets. Over the long term, the current spending policy is designed to return a net positive gain in market value (growth) after spendable transfers. The annual rate for spendable transfers, distributed quarterly, is decided on by the Board of Directors. For the years ended June 30, 2020 and 2019, this rate was on average 4.49% to 5.08%, and 4.8% to 5.2%, respectively, of each endowment's spending base. The spending base is calculated by using a 3-year average market value of each endowment's investments.

Note 11 – Endowments (continued)

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the University to retain as a fund of perpetual duration. There were no deficiencies of this nature at June 30, 2020 and 2019.

	Without Donor Restrictions	With Donor Restrictions	Total
Changes in endowment net assets for the year ended June 30, 2020			
Endowment net assets – beginning of year	$ -	$ 22,521,049	$ 22,521,049
Contributions	-	2,784	2,784
Interest and dividends	-	153,945	153,945
Net realized and unrealized gains	-	235,007	235,007
Appropriation of endowment assets for expenditure	-	(560,907)	(560,907)
Endowment net assets – end of year	$ -	$ 22,351,878	$ 22,351,878
Changes in endowment net assets for the year ended June 30, 2019			
Endowment net assets – beginning of year	$ -	$ 22,105,188	$ 22,105,188
Contributions	-	316,774	316,774
Interest and dividends	-	141,473	141,473
Net realized and unrealized gains	-	581,446	581,446
Appropriation of endowment assets for expenditure	-	(623,832)	(623,832)
Endowment net assets – end of year	$ -	$ 22,521,049	$ 22,521,049

Note 12 – Pension Plan

The University has a defined contribution pension plan covering substantially all of its full-time executives and employees. The plan is fully funded by payments to the various plan trustees. Payments to the plan totaled $275,048 and $252,612 for the years ended June 30, 2020 and 2019, respectively.

Note 13 – Related-Party Transactions

In 2018, the University entered into an agreement with the former president of the University (the Former President) to compensate the Former President for stepping down from his position effective June 30, 2019. The University is making post-employment payments to the Former President each pay period from July 1, 2018 through June 30, 2021. Each payment will approximate the Former President's salary plus benefits. The University has recorded a liability totaling approximately $367,000 and $772,000 as of June 30, 2020 and 2019, respectively, included in accounts payable.

Note 13 – Related-Party Transactions (continued)

As of June 30, 2019, included in accounts and other receivables is a note receivable from a Vice President. The amount of the note was $50,000, unsecured, with interest 2.42% per annum, with principal and interest payable on or before July 15, 2019. Interest income on the note totaled $1,065 for the year ended June 30, 2019. The note was repaid in full on July 15, 2019.

Included in accounts and other receivables is a note receivable from a Vice President. The amount of the note was $40,000, secured by property, with interest 2.37% per annum. Interest income on the note totaled $882 for the year ended June 30, 2020. As of June 30, 2020 and 2019, the balance on the note receivable was $39,237 and $40,000, respectively. The note matures in May 2024.

During the year ended June 30, 2020, a board member pledged $2,500,000 to the University. The outstanding balance on the pledge is $2,000,000 as of June 30, 2020.

Note 14 – Liquidity and Availability of Financial Resources

The total financial assets held by the University at June 30, 2020 and 2019, and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the consolidated statement of financial position are summarized in the following table as of June 30, 2020 and 2019:

	2020	2019
Financial assets at June 30, 2020		
Cash and cash equivalents	$ 2,153,284	$ 2,708,380
Investments	87,644,629	96,174,822
Accounts receivable (net)	195,680	710,794
Contributions receivable (net)	3,432,598	1,499,799
Total financial assets	93,426,191	101,093,795
Less: amounts not available to be used within one year, due to donor-imposed restrictions		
Funds held for endowments	19,664,613	19,853,756
Funds held with other purpose or timing donor restrictions	51,224,798	50,559,467
Financial assets available to meet general expenditures within one year	$ 22,536,780	$ 30,680,572

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 14 – Liquidity and Availability of Financial Resources (continued)

The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities, and $3,465,026 and $6,110,078 of availability on a line of credit at June 30, 2020 and 2019, respectively. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers pledges restricted by time only and expected to be collected in the next fiscal year as available for general expenditures.