Consolidated Financial Statements and Report of Independent Certified Public Accountants

Western University of Health Sciences

June 30, 2026 (with comparative summarized financial information for June 30, 2025)

Contents

	Page
Report of Independent Certified Public Accountants	3
Consolidated Financial Statements	
Consolidated statements of financial position	5
Consolidated statements of activities and changes in net assets	6
Consolidated statements of cash flows	7
Notes to consolidated financial statements	9

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Western University of Health Sciences

Opinion

We have audited the consolidated financial statements of Western University of Health Sciences (a nonprofit organization) and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2026, and the related consolidated statement of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2026, 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 of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US 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 the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date the consolidated financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable

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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 US 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 consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Report on 2025 summarized comparative information
We have previously audited the University's 2025 consolidated financial statements (not presented herein), and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated October 31, 2025. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2025 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Grant Thornton LLP

Los Angeles, California
November 6, 2026

Western University of Health Sciences

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	2026	2025
ASSETS		
Cash and cash equivalents	$ 10,064,521	$ 9,166,719
Cash whose use is limited by bond indenture	5,572,399	-
Accounts receivable, net	6,747,931	8,544,870
Prepaid expenses	3,410,426	4,282,648
Contributions receivable, net	6,546,328	9,954,514
Inventories	1,157,993	1,055,112
Other assets	241,691	345,028
Notes receivable, net	49,358,852	47,861,697
Investments	336,078,380	317,343,845
Operating lease right-of-use assets, net	45,897,579	56,293,643
Finance lease right-of-use assets, net	287,124	1,443,092
Property, plant and equipment, net	163,792,865	138,813,861
Total assets	$ 629,156,089	$ 595,105,029
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	$ 38,630,703	$ 29,946,715
Accrued bond interest payable	11,462	282,406
Deposits for agency funds	642,977	648,256
Deferred revenues	20,811,947	29,110,896
Interest rate swap agreement	-	6,355,300
Liability on split interest agreements	193,500	311,416
Government advances for student loans	55,834,776	51,983,397
Operating lease liabilities	52,728,494	63,039,157
Finance lease liabilities	-	450,991
Bonds and notes payable, net	92,826,692	74,003,458
Total liabilities	261,680,551	256,131,992
Net assets		
Without donor restrictions	303,040,772	274,501,265
With donor restrictions	64,434,766	64,471,772
Total net assets	367,475,538	338,973,037
Total liabilities and net assets	$ 629,156,089	$ 595,105,029

The accompanying notes are an integral part of these consolidated financial statements.

Western University of Health Sciences

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended June 30, 2026
(with Comparative summarized financial information for the year ended June 30, 2025)

	Without Donor Restrictions	With Donor Restrictions	2026 Total	2025 Total
Revenue				
Student tuition	$ 234,069,351	$ -	$ 234,069,351	$ 218,797,396
Less: scholarships and grants	(5,381,754)	-	(5,381,754)	(6,341,033)
Net tuition	228,687,597	-	228,687,597	212,456,363
Government contracts and grants	10,196,015	-	10,196,015	10,435,569
Private gifts, contracts and grants	2,137,385	5,233,325	7,370,710	14,409,897
Contributed non-financial assets	11,170,172	-	11,170,172	4,857,629
Investment returns made available for operations	8,923,082	1,006,465	9,929,547	11,241,451
Sales and services of auxiliary enterprises	2,493,827	-	2,493,827	2,483,195
Sales and services of educational activities				
Net patient revenue	9,591,873	-	9,591,873	9,189,990
Other sales and services	3,812,235	-	3,812,235	3,455,513
Other operating revenues	4,872,364	-	4,872,364	4,283,843
Net assets released from restrictions	5,852,012	(5,852,012)	-	-
Total revenues	287,736,562	387,778	288,124,340	272,813,450
Expenses				
Educational and general expenditures				
Research	25,141,133	-	25,141,133	26,522,749
Instruction	163,349,028	-	163,349,028	153,862,547
Academic support	29,197,616	-	29,197,616	29,344,922
Student services	10,567,156	-	10,567,156	11,114,793
Institutional support	35,995,408	-	35,995,408	27,127,772
Auxiliary enterprises	3,298,629	-	3,298,629	3,224,335
Development and fundraising	5,882,529	-	5,882,529	5,440,477
Total expenses	273,431,499	-	273,431,499	256,637,595
Change in net assets from operating activities	14,305,063	387,778	14,692,841	16,175,855
Other changes in net assets				
Investment returns, net of allocation to operations	13,958,689	35,470	13,994,159	9,021,563
Change in value of split-interest agreements	710,615	(407,535)	303,080	569,198
Differential in value of swap contract	1,717,256	-	1,717,256	(709,700)
Adjustment to contributions receivable	-	(56,719)	(56,719)	192,243
Loss on extinguishment of debt	(2,148,116)	-	(2,148,116)	-
Redesignation of net assets	(4,000)	4,000	-	-
Change in net assets from non-operating activities	14,234,444	(424,784)	13,809,660	9,073,304
INCREASE IN NET ASSETS	28,539,507	(37,006)	28,502,501	25,249,159
Net assets at beginning of year	274,501,265	64,471,772	338,973,037	313,723,878
Net assets at end of year	$ 303,040,772	$ 64,434,766	$ 367,475,538	$ 338,973,037

The accompanying notes are an integral part of these consolidated financial statements.

Western University of Health Sciences

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	2026	2025
Cash flows from operating activities		
Increase in net assets	$ 28,502,501	$ 25,249,159
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,913,184	8,843,803
Contributed property, plant and equipment	(10,950,965)	-
Loss on disposal of property, plant and equipment	-	7,243
Change in fair value of interest rate swap agreement	(1,717,256)	709,700
Payment to terminate interest rate swap agreement	(4,638,044)	-
Amortization of bond issuance costs	190,569	190,220
Loss on extinguishment of debt	2,148,116	-
Provision for credit losses	6,806	103,784
Net realized/unrealized gain on investments	(11,291,408)	(7,308,105)
Contributions restricted for endowment	(155,945)	(734,331)
Non-cash lease expense adjustments	85,400	184,456
(Increase) decrease in assets:		
Accounts receivable	1,790,133	(1,765,391)
Contributions receivable	3,408,186	(1,978,876)
Inventories, prepaid expenses and other assets	849,663	746,247
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	6,845,181	(2,945,223)
Accrued bond interest payable	(270,944)	(6,608)
Deposits for agency funds	(5,279)	(9,566)
Deferred revenues	(8,298,949)	1,343,736
Liability on split-interest agreements	(68,654)	(75,436)
Net cash provided by operating activities	$ 15,342,295	$ 22,554,812

The accompanying notes are an integral part of these consolidated financial statements.

Western University of Health Sciences

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

Years ended June 30,

	2026	2025
Cash flows from investing activities		
Proceeds from sale of investments	$ 3,876,595,822	$ 4,052,503,629
Purchases of investments	(3,884,038,949)	(4,061,413,311)
Loans issued	(5,207,877)	(3,784,854)
Collections from loans received	3,710,722	2,817,492
Proceeds from sale of property, plant and equipment	25,000	-
Purchase of property, plant and equipment	(19,948,431)	(9,098,269)
Net cash used in investing activities	(28,863,713)	(18,975,313)
Cash flows from financing activities		
Payments for extinguishment of bonds and notes payable	(71,317,858)	-
Proceeds from issuance of bonds	93,778,946	-
Payments for bond issuance costs	(952,254)	-
Scheduled principal payments on bonds and notes payable	(5,024,286)	(4,839,286)
Payments to beneficiaries of split-interest agreements	(49,262)	(128,498)
Contributions restricted for endowment	155,945	734,331
Increase in government advances for student loans	3,851,379	2,993,123
Payments of principal on finance lease liabilities	(450,991)	(757,762)
Net cash provided by (used in) financing activities	19,991,619	(1,998,092)
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,470,201	1,581,407
Cash and cash equivalents at beginning of year	9,166,719	7,585,312
Cash and cash equivalents at end of year	$ 15,636,920	$ 9,166,719
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 3,741,763	$ 3,923,637
Acquisitions of capital assets in accounts payable	$ 2,051,743	$ 212,936
Loans cancelled	$ 122,301	$ 144,855

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - ORGANIZATION

Western University of Health Sciences (the “University”) is a private, nonprofit, accredited institution of higher learning and an academic health center, whose main campus occupies approximately 22 acres in Pomona, California, and includes other locations in California and Oregon. The University is committed to the education of primary care health professionals, with a distinctive philosophy centered in the osteopathic tradition, which embraces the concept that health involves the whole person and the person's relationship to others and the world.

The University was founded in 1977 as the College of Osteopathic Medicine of the Pacific (“COMP”), a four-year medical school educating osteopathic physicians. The institution expanded its mission by adding primary care-focused educational programs in the allied health professions, pharmacy and advanced nursing. In 1996, the institution officially became a university and changed its name to Western University of Health Sciences. In addition, the University added a college of veterinary medicine in 1998 and further expanded its educational programs during 2009 by adding three new colleges in dentistry, optometry, and podiatry.

In 2011, the University expanded its operations to Lebanon, Oregon, with COMP enrolling the first students at the new location. The University also operates patient care centers located in Pomona, Rancho Mirage, Los Angeles California, and Portland Oregon, in addition to Pet Wellness centers located in Pomona and Van Nuys, California that serve as clinical teaching sites for students.

For the fall semester of 2026, approximately 3,700 students were enrolled in the University's eight colleges.

Income Taxes

The University is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”), 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 been recognized by the California Franchise Tax Board as a University that is exempt from California franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code and is also exempt from Oregon income taxes under the related state provisions. 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 consolidated financial statements.

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 consolidated 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.

The University is subject to income taxes for unrelated business income realized in connection with its unrelated business activities. Park Hospital Inc., a majority-owned subsidiary; and COMP Enterprises Inc., a wholly owned subsidiary; are included in the University’s consolidated financial statements and are taxed independently. In addition, the University has a controlling interest in WesternU Medical Group, LLC. WesternU Oregon Property, LLC is a limited liability company and is a disregarded entity for tax purposes.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated 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"). All material intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses, including allocations to various program costs, during the reporting period. Actual results could differ from those estimates. Significant estimates in the University's consolidated financial statements include allowance for credit losses for accounts and contribution receivable, discount rate for long-term contributions, unobservable investment inputs, non-public investment values, patient service revenue to include contractual discounts and allowances, asset impairments, inventory reserves, expense allocation, leases, student rotations expense, the present value of future benefits payable on split-interest agreements and the interest rate swap.

Net Assets

Net assets, revenue, and support are classified based on the existence or absence of donor-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 restrictions. Board designated funds are also included within net assets without donor restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor-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 such resources be maintained in perpetuity. The University reports contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor restrictions that limit the use of the donated assets. If a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash available for immediate use. Money market accounts, certificates of deposit and other short-term investments with varying maturities are classified as investments.

Investments

In accordance with authoritative guidance, investments in equity securities with readily determinable fair market values and all debt securities are reported at fair value with gains and losses included in the consolidated statement of activities and changes in net assets.

Other investments, including real estate, are reported at fair value as determined by appraisals performed by independent third parties on a periodic basis (generally, every few years) unless market conditions would indicate more frequent appraisals are required.

Fair Value of Financial Instruments

The University uses an established framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lower priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the University has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by the University. The University considers observable data to be that market data that is readily available, regularly distributed or actively involved in the relevant market. The categorization of an investment within the fair value hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the University's perceived risk of that investment.

Notes and Accounts Receivables Due From Students

Included in accounts receivable is student tuition stated at the amounts billed to students less loan proceeds, grants and scholarships. Military scholarships are separately billed and collected by semester from the corresponding military agencies (e.g., Army, Navy, Air Force, etc.). Approximately 95% of all currently enrolled students rely on some form of financial aid.

As a policy, students are required to settle their financial obligation and account balance before they are allowed to attend and be promoted to the next academic year. The student accounts receivable balance as of June 30, 2026, is settled by the subsequent receipt of the corresponding financial aid funds for the academic period or by payment received from the students.

Notes receivable consist of amounts due under the federal loan programs and University loan programs and are stated at their outstanding principal amount, net of an allowance for uncollectible accounts. A third-party organization administers the collection process. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the federal loan programs. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment.

Revenue Recognition

The University receives grants and contributions from several sources including the federal government, private foundations and other donors. Grants and contracts are evaluated as to whether they qualify as exchange transactions or contributions as defined by U.S. GAAP. Grants that are treated as exchange transactions are reported as revenue without donor restrictions when expenses are incurred in accordance with the terms of the agreement. The excess of amounts received in exchange transactions over the amount of expenditures incurred are classified as deferred revenue on the consolidated statement of financial position.

The University recognizes revenue when control of the promised goods or services are transferred to outside parties in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services.

Patient Revenues and Patient Receivables

Net patient service revenue is reported at estimated net realizable amounts in the period in which services are provided. The majority of services of the University's patient care operations ("WesternU Health") are rendered to patients under Medicare, Medical Assistance Programs, Aetna and Anthem Blue Cross Blue Shield.

Reimbursement under these programs is based on a combination of prospectively determined rates and historical costs. Amounts received under Medicare and Medical Assistance programs are subject to review and final determination by program intermediaries or their agents. These adjustments are recorded when identified.

The percentage of patient service revenue, net of contractual allowances and discounts, derived from third-party payers and self-pay patients are as follows:

	June 30,	
	2026	2025
Commercial insurance and other	41%	43%
Medicare	25%	21%
Self-pay	4%	4%
Medicaid	30%	32%

The University, in the ordinary course of business, enters into various incentive-sharing agreements with managed care payors and other providers. These agreements require retroactive settlement based on data that may not be available or finalized until all claims are processed. Settlement amounts have been estimated for such incentives based on available information.

However, it is reasonably possible that these estimates may change in the near term. Laws and regulations governing the Medicare and Medical Assistance programs are extremely complex and subject to interpretation. Compliance with such laws and regulations are subject to government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the

Medicare and Medical Assistance programs. As a result, there is at least a reasonable possibility that the recorded estimates may change by a material amount in the near term.

Presentation and disclosure for net patient service revenue requires patient service revenue to be presented net of the provision for uncollectible accounts. Net patient service revenue for the years ended June 30:

	2026	2025
Patient service revenue, gross	$ 16,038,120	$ 14,979,045
Contractual discounts and allowances	(6,482,736)	(5,709,620)
Provision for credit losses	36,489	(79,435)
Patient service revenue, net	$ 9,591,873	$ 9,189,990

The provision for credit losses is based upon management's assessment of historical and expected net collections considering historical business and economic conditions, trends in health care coverage and other collection indicators. WesternU Health records a significant provision for credit losses in the period services are provided related to self-pay patients, including both uninsured patients and patients with deductible and copayment balances due for which third-party coverage exists for a portion of their balances.

Periodically throughout the year, management assesses the adequacy of the provision for credit losses based upon historical write-off experience. The results of this review are then used to make any modifications to the provision for credit losses to establish an appropriate provision for credit losses. Accounts receivables are written off after collection efforts have been followed in accordance with internal policies.

The following is reconciliation of allowance for uncollectible patient care center accounts receivable for the years ended June 30:

	2026	2025
Balance, beginning of the year	$ 612,645	$ 499,447
Write offs, net	(11,524)	192,633
Provision for uncollectible accounts	36,489	(79,435)
Balance, end of the year	$ 637,610	$ 612,645

Tuition Revenue

Tuition is generally due at the beginning of the term. Tuition revenue is recognized as it is earned, and amounts received in advance are deferred and recognized as instruction takes place.

Contributions Receivable

The University records unconditional promises to give (a pledge) as a contribution receivable and revenue in the year the pledge is made (see Note 7). The amount is discounted to present value at a risk-adjusted rate, less a reserve for bad debt.

Gift Annuities and Unitrust Agreements (Split-Interest Agreements)

The University has a variety of gift agreements, including charitable gift annuities and charitable remainder trusts for which the University is the trustee. Upon receipt, the present value of each gift annuity or unitrust is recorded as an asset, the present value of the University's obligation to beneficiaries is recorded as a liability, and the remaining amount is included in net assets.

Annually, an adjustment is made between the liability and the net assets to record the actuarial gain or loss due to re-computation of the liability based upon the revised life expectancy of the annuitants (also see Note 15). The fair value of these assets as of June 30, 2026, and 2025 amounted to $6,961,069 and $6,801,428, respectively, and are included in investments in the accompanying consolidated statement of financial position.

Inventories

Inventories consist of bookstore merchandise and resale medical merchandise at the Pet Health Center and Patient Care Centers and are valued at the lower of cost or market on a first-in, first-out basis.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or if a gift, at fair value at the date of the gift. Depreciation is calculated on a straight-line basis over the estimated useful lives by major category of assets as follows:

Buildings and improvements (considering the date originally constructed or purchased and remaining useful life)	25 - 45 years
Equipment, furniture and library books	5 - 7 years

The University, using its best estimates based on reasonable and supportable assumptions and projections, reviews long-lived assets to be held and considered for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets might not be recoverable.

When assets are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss arising from such disposition is recorded. Expenditures for repairs and maintenance are charged to expenses as incurred and included in the accompanying consolidated statement of activities and changes in net assets.

Contributed Non-Financial Assets

The contributed non-financial assets are valued at fair value based on estimates of similar products. The nonfinancial assets were utilized by the instructional programs during the reporting period. The University's policy is to utilize any contributed non-financial assets rather than monetization. Donated property includes time and use restrictions for instructional purposes. The fair value of these assets as of June 30, 2026, and 2025 amounted to $11,170,172 and $4,857,629, respectively, and are included in accompanying consolidated statement of activities and changes in net assets.

	2026	2025
Equipment	$ 15,000	$ 182,629
Inventory	219,207	-
Property	10,935,965	4,675,000
Total	$ 11,170,172	$ 4,857,629

Re-Designation of Net Assets

Certain amounts previously received from donors have been transferred among net asset categories due to changes in donor designations, required minimum balances having been obtained, or re-invested excess endowment earnings.

Related Parties

The University follows the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 850's definition of related parties which include affiliates; entities for which investment in their equity securities is required; trusts for the benefit of employees; principal owners and immediate family members; management and immediate family members; any party which we may or can influence significantly the management or operational policies.

Throughout the year, at Board of Trustee meetings, the University's legal counsel monitors compliance by referencing the conflict-of-interest policy and communicates the required steps to be taken in the event of a potential conflict of interest that may arise at any time. This process includes the University officers as well. For key employees, meetings are held at the Dean's council and operations group level that discuss the details of the conflict-of-interest policy (if any) and the necessary steps to be taken to disclose and report any potential conflicts.

For potential transactions, agreements and affiliations, etc. that may involve any university employee, a thorough review is conducted by the university's legal counsel and other members of executive management. In the event of any potential conflict of interest exposure, required information is requested and reviewed on an independent basis. The interested person is excused from participating in any discussion or decision that involves the outcome of any related transactions. In addition, during the employee orientation process, the University requires new employees to review the conflict-of-interest policy and complete a conflict-of-interest disclosure form. If any potential conflicts of interest are disclosed, a complete review of information is completed by University's legal counsel to determine the nature, if any of potential financial interests.

Contributions from members of the University's Board of Trustees totaled $109,437 and $134,291 for the years ending June 30, 2026 and 2025, respectively. Contributions receivable from members of the University's Board of Trustees totaled $0 and $40,000 as of June 30, 2026 and 2025, respectively. Contributions from other related parties totaled $56,705 and $14,606,685 for the years ending June 30, 2026 and 2025, respectively. Contributions receivable from other related parties totaled $6,020,000 and $10,000,000 as of June 30, 2026 and 2025, respectively.

Allocation of Investment Earnings to Operations

The University's policy and practice is to allocate a portion of without donor restriction net investment earnings quarterly to operations, balancing the competing objectives of providing a stable flow of income to the operating budget and protecting the real value of the investments over time. The policy manages the trade-off between these two objectives by using a targeted cap on the portion of without donor restriction net investment returns allocated for spending on operations annually. This targeted cap is reviewed periodically by the Finance and Facilities Committee of the Board of Trustees and is adjusted from time to time as determined appropriate and prudent by the Committee.

Total investment returns allocated to operations were $9,929,547 and $11,241,451 for the years ending June 30, 2026, and 2025, respectively.

Operating and Non-operating Activities

The consolidated statement of activities and change in net assets presents the activities of the University from operating activities and non-operating activities. Operating revenues and expenses relate primarily to the educational programs, clinical activities, philanthropic activities, and grant related activities of the University. The portion of investment return appropriated for current operations under the spending policy is considered operating revenue. Non-operating activities consist primarily of investment return in excess of the University's spending policy, changes in value of split-interest agreements and the swap agreement, adjustments to contributions receivable, and other non-recurring activities.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The University regularly monitors the availability of resources required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of educational programs, clinics, research, as well as the conduct of services to support those activities.

As of June 30, financial assets and liquidity resources available within one year for general expenditures were as follows:

	2026	2025
Financial assets due within one year or generally available:		
Cash and cash equivalents	$ 10,064,521	$ 9,166,719
Accounts receivables, net	6,747,931	8,544,870
Contributions receivable	6,546,328	9,954,514
Notes receivable	130,302	138,873
Investments	336,078,380	317,343,845
Total available funds	359,567,462	345,148,821
Less:		
Amounts unavailable for general expenditures within one year due to:		
Donor restricted gifts for educational programs	28,875,701	25,229,196
Donor restricted gifts for research programs	892,478	768,638
Donor restricted gifts for endowed professorships	734,040	758,855
Donor restricted gifts with time restrictions	6,783,618	10,599,339
Restricted by donor in perpetuity	17,803,713	17,767,911
Long-term illiquid investments	14,365,726	926,434
Total amounts unavailable due to donor restrictions, time or law	69,455,276	56,050,373
Total financial assets available to management for general expenditures before amounts subject to the Trustee's approval	290,112,186	289,098,448
Less:		
Board designated funds:		
Funds functioning as endowment	52,843,880	47,699,527
Total board designated funds	52,843,880	47,699,527
Total financial assets available for general expenditure before endowment draw	237,268,306	241,398,921
Plus:		
Amount authorized for appropriation within one year	6,110,427	3,681,785
Total financial assets available for general expenditure within one year	$ 243,378,733	$ 245,080,706

The University's Trustees have designated a portion of its net assets without donor restrictions for endowment and other purposes. These amounts are identified in the table above as board designated funds. These funds are invested for long-term appreciation and current income but remain available and may be spent at the discretion of the Trustees.

In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue, including federal funds to convert general expenditures not covered by donor-restricted resources. The University typically generates positive cash flows from operations as evidenced by the consolidated statement of cash flows for the fiscal year.

NOTE 4 - INVESTMENTS

The following table summarizes the University's investments as of June 30:

	2026		2025	
	Cost	Fair Value	Cost	Fair Value
Short-term investments	$ 4,423,087	$ 4,423,846	$ 4,825,600	$ 4,825,809
Short-term deferral plan	280,000	280,000	-	-
Certificates of deposits	1,552,367	1,552,367	1,890,520	1,890,520
Mutual funds	97,069,805	106,322,632	104,053,748	112,738,777
Corporate and government bonds	167,271,070	166,431,454	161,657,038	160,601,474
Equities	31,202,136	42,982,355	30,288,480	36,360,831
Cash surrender value of life insurance	417,437	417,437	398,474	398,474
Investments in real estate	13,446,968	13,668,289	306,639	527,960
Total	$ 315,662,870	$ 336,078,380	$ 303,420,499	$ 317,343,845

The following is a description of the instruments measured at fair value, and the methods and assumptions used by the University in determining the fair value of the instruments:

Short-term investments, and certificates of deposit - These investments are liquid instruments held by external investment managers. The carrying value approximates fair value based on the short maturity of these instruments and are categorized as Level 1

Mutual funds - These consist of a pool of funds held by external investment managers. The fair values are based on quoted market prices as determined by investment custodians utilizing prices quoted by securities dealers or brokers and are categorized as Level 1.

Corporate and government bonds - These consist of domestic corporate and government bonds. The fair values are based on market prices as determined by the investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services. The University generally categorizes these as Level 2.

Equities - These consist primarily of publicly traded domestic securities held by external investment managers. The fair values are based on quoted market prices as determined by investment custodians utilizing prices quoted by securities dealers or brokers, investment bankers or statistical services and are categorized as Level 1. Other private equity securities are recorded at their appraised value or fair market value and are categorized as Level 3.

Investments in real estate - These consist of domestic real estate investments. These investments are recorded at their appraised value or fair market value at the date of gift and are categorized as Level 3.

NOTE 5 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following tables summarize the University's fair value hierarchy for those assets measured at fair value as of June 30, 2026 and 2025:

	Fair Value Measurements Using			
2026 Investments	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Short-term investments	$ 4,423,846	$ -	$ -	$ 4,423,846
Short-term deferral plan	280,000	-	-	280,000
Certificates of deposit	-	1,552,367	-	1,552,367
Mutual funds	106,322,632	-	-	106,322,632
Corporate and government bonds	-	166,431,454	-	166,431,454
Equities	42,943,755	-	38,600	42,982,355
Cash surrender value of life insurance	-	417,437	-	417,437
Investments in real estate	-	-	13,668,289	13,668,289
Total investments	$ 153,970,233	$ 168,401,258	$ 13,706,889	$ 336,078,380

	Fair Value Measurements Using			
2025 Investments	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
Short-term investments	$ 4,825,809	$ -	$ -	$ 4,825,809
Certificates of deposit	-	1,890,520	-	1,890,520
Mutual funds	112,738,777	-	-	112,738,777
Corporate and government bonds	-	160,601,474	-	160,601,474
Equities	36,322,231	-	38,600	36,360,831
Cash surrender value of life insurance	-	398,474	-	398,474
Investments in real estate	-	-	527,960	527,960
Total investments	$ 153,886,817	$ 162,890,468	$ 566,560	$ 317,343,845

Other financial instruments recorded at fair value as of June 30, 2026:

	Level 1	Level 2	Level 3	Total
Interest rate swap agreement	$ -	$ -	$ -	$ -

Other financial instruments recorded at fair value as of June 30, 2025:

	Level 1	Level 2	Level 3	Total
Interest rate swap agreement	$ -	$ 6,355,300	$ -	$ 6,355,300

The following is a roll forward of Level 3 investments for the years ending June 30:

2026	Beginning Balance	Total Gain(Loss) Included in Changes in Net Assets	Purchases	Sales	Transfers	Ending Balance
Equities	$ 38,600	$ -	$ -	$ -	$ -	$ 38,600
Investments in real estate	527,960	-	13,140,329	-	-	13,668,289
Total	$ 566,560	$ -	$ 13,140,329	$ -	$ -	$ 13,706,889

2025	Beginning Balance	Total Gain(Loss) Included in Changes in Net Assets	Purchases	Sales	Transfers	Ending Balance
Equities	$ 38,600	$ -	$ -	$ -	$ -	$ 38,600
Investments in real estate	527,960	-	-	-	-	527,960
Total	$ 566,560	$ -	$ -	$ -	$ -	$ 566,560

The following table shows quantitative information about unobservable inputs related to the Level 3 fair value measurements as of June 30:

	Fair Value Measurements Using			
Type	Fair Value	Valuation Technique	Significant Unobservable Inputs	Availability
Real estate	$ 13,668,289	Third-party appraisal	Reliance on appraisers valuations	No restrictions
Equities	$ 38,600	Fair value	Original cost	N/A

Interest rate swap - The carrying value of the University's interest rate swap agreement is recorded at fair value based on the spread between the effective interest rate on the bonds payable on June 30, 2025, and the fixed rate per the interest rate swap agreement. The University categorizes this swap as Level 2. The interest rate swap was terminated on June 30, 2026 in conjunction with the bond reissuance.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such transfers, the transfer is reported at the beginning of the reporting period. For the year ended June 30, 2026, there were no significant transfers between levels or changes in the methodologies.

NOTE 6 - ACCOUNTS RECEIVABLE, NET

Accounts receivable, net, consisted of the following as of June 30:

	2026	2025
Student accounts receivable	$ 431,451	$ 1,629,579
Patient care center accounts receivable	2,102,968	1,963,592
Grants and contracts receivable	3,236,279	4,153,237
Other receivables	1,812,481	1,616,987
Less: allowance for credit losses	(835,248)	(818,525)
Total accounts receivable, net	$ 6,747,931	$ 8,544,870

NOTE 7 - CONTRIBUTIONS RECEIVABLE, NET

The following unconditional promises to give are included in the consolidated financial statements as contributions receivable, net, as of June 30:

	2026	2025
Contributions receivable	$ 7,453,988	$ 10,805,455
Less: unamortized discount	(686,011)	(696,716)
Less: allowance for doubtful accounts	(221,649)	(154,225)
Total contributions receivable, net	$ 6,546,328	$ 9,954,514

The University used rates between 0.29% and 4.70% to discount gross unconditional promises to give in consideration of the present value of the future cash flows.

Unconditional promises to give are expected to be collected in the following periods ending June 30:

	2026	2025
In one year or less	$ 2,428,989	$ 6,496,489
Between one year and five years	4,624,999	4,308,966
More than five years	400,000	-
Total gross pledges	$ 7,453,988	$ 10,805,455

Contributions and contributions receivable - Granting date fair values are estimated as the present value of the amount using a risk adjustment and discount rates applicable to the donor and federal interest rates.

NOTE 8 - NOTES RECEIVABLE AND STUDENT LOAN RECEIVABLES, NET

Student loans receivable are primarily federally sponsored student loans with United States government-mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. The University makes uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

As of June 30, student loan receivables, which are included in notes receivable, net, in the accompanying consolidated statement of financial position, consisted of the following:

	2026	2025
Federal government programs	$ 49,228,550	$ 47,722,824
Institutional programs	188,520	197,091
	49,417,070	47,919,915
Less: allowance for credit losses	(58,218)	(58,218)
Notes receivable, net	$ 49,358,852	$ 47,861,697

The University participates in federal revolving loan programs. The availability of funds for loans under this program is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the Federal government in the amount of $55,834,776 and $51,983,397 as of June 30, 2026 and 2025, respectively, are ultimately refundable to the government and are classified as government advances for student loans in the accompanying consolidated statement of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government.

Federal Perkins Loans - Perkins loans were made to students who demonstrated financial need. Historically, participating schools received a certain amount of funds each year from the federal government for distribution under this program, which supplement funds in a school's revolving fund, from which new disbursements were made. Once the full amount of the school's funds had been awarded to students, no more loans could be made under this program for the year. This loan program officially expired on September 30, 2017.

Allowances for uncollectible accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible. Amounts due under the Perkins loan program are guaranteed by the government and therefore, no reserves are placed on any past-due balances under the program.

Past due amounts under the Perkins loan programs were $0 and $8,225 for the years ending June 30, 2026 and 2025, respectively.

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT, NET

Property, plant and equipment consisted of the following as of June 30:

	2026	2025
Buildings	$ 150,545,104	$ 128,487,153
Building improvements	63,513,042	61,588,410
Equipment and furniture	75,345,920	71,283,362
Library books	2,065,121	2,060,657
	291,469,187	263,419,582
Less: accumulated depreciation	(148,252,323)	(139,836,055)
	143,216,864	123,583,527
Construction-in-progress	3,986,852	1,067,380
Land	16,589,149	14,162,954
Total	$ 163,792,865	$ 138,813,861

Depreciation expenses amounted to $8,587,002 and $8,276,035 during the years ended June 30, 2026 and 2025, respectively.

NOTE 10 - OTHER ASSETS

Other assets consisted of the following as of June 30:

	2026	2025
Computer network and installation	$ 86,500	$ 86,500
Less: accumulated amortization	(86,500)	(81,351)
Goodwill medical practice	178,661	178,661
Less: accumulated amortization	(110,175)	(92,308)
Miscellaneous holdings	20,028	20,028
Deposits	153,177	233,498
Total	$ 241,691	$ 345,028

NOTE 11 - TERM LOAN AGREEMENT

On April 30, 2021, The University entered into a term loan agreement with Wells Fargo Bank, National Association (“Wells Fargo”). The University used all loan proceeds to finance the acquisition, construction, improvement and equipping of the College of Health Sciences campus location in Lebanon, Oregon. The principal amount of the loan was $12,000,000, and the loan carries a per annum fixed rate of interest equal to 2.82%. Interest payments are due monthly on the first calendar day of each month, commencing May 1, 2021, and continuing for the remaining term of the loan which ends May 1, 2029. The total outstanding balance of $ 5,142,857 was repaid as of June 26, 2026.

NOTE 12 - BONDS PAYABLE

In October 2007, the University entered into a Loan Agreement with California Statewide Communities Development Authority pursuant to which the Revenue Bonds, Series 2007 (the "Bonds") were issued. The University used the proceeds to finance the acquisition, construction, improvement, expansion and equipping of various educational facilities, defeasance of certain outstanding tax-exempt bonds and paying costs in connection with the issuance of the Bonds. On September 14, 2022, the University refinanced the outstanding Bonds by converting to an Initial SOFR Index Rate Period under which Wells Fargo Municipal Capital Strategies, LLC, directly purchased the bonds, eliminating the direct pay letter of credit and remarketing arrangement. The SOFR Index Rate is computed on a daily basis.

In June 2026, the University refinanced the Bonds by issuing new public, fixed-rate, tax-exempt bonds through the California Educational Facilities Authority ("CEFA") at a 5.00% coupon rate (4.19% true interest cost – 8.1x over-subscribed). The CEFA 2026 bond proceeds include costs and discounts related to the issuance of bonds and are being amortized over the life of the bonds utilizing the straight-line method, which approximates the effective interest method. These bonds are payable based on the following redemption schedule:

Redemption of Bonds	
Year	Total Bonds to be Redeemed
2027	$ 3,445,000
2028	3,660,000
2029	3,865,000
2030	4,090,000
2031	4,335,000
2032	4,590,000
2033	4,865,000
2034	5,180,000
2035	5,485,000
2036	24,615,000
2037	6,145,000
2038	6,505,000
2039	6,890,000
Subtotal	83,670,000
Plus: unamortized bond premium	10,108,946
Less: unamortized bond issuance costs	(952,254)
Total bonds payable, net	$ 92,826,692

The amount of $5,572,399 included in cash whose use is limited by bond indenture in the accompanying consolidated statement of financial position represents funds maintained in a separate custodial account managed by The Bank of New York Mellon Trust Company, N.A., as the debt trustee. These funds are restricted for reimbursement of specific capital project expenditures under the terms of the Trust Indenture dated June 1, 2026, governing the California Educational Facilities Authority Revenue Bonds (Western University of Health Sciences) Series 2026.

Interest Rate Swap Agreement

In connection with the original issuance of the Bonds, the University entered into an Interest Rate Swap Agreement (the "Swap Agreement"), which was with Wells Fargo Bank, N.A. The Swap Agreement reduced the risk of interest rate changes with respect to the Bonds during the term of the agreement. The scheduled termination of the Swap Agreement was the same date as the final maturity of the Bonds, June 1, 2039.

Under the Interest Rate Swap Agreement, the University paid Wells Fargo Bank, N.A., a fixed interest rate of 4.004% per annum, and Wells Fargo Bank, N.A. paid the University a variable interest rate equal to 70% of 1-Month Compounded SOFR plus 70% of a 0.11448% Spread Adjustment. The notional amount was adjusted as the principal was reduced to equal the outstanding principal amount of the Bonds. The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments. Changes in the fair value of the swap agreement were reported as unrealized gains (assets) or losses (liabilities) on the interest rate swap related to bonds in the accompanying consolidated statement of activities and changes in net assets.

On June 30, in connection with the CEFA 2026 bond re-issue, the interest rate swap agreement was terminated. As of June 30, 2026, $0 was recorded as a liability related to the swap on the accompanying consolidated statement of financial position.

NOTE 13 - ENDOWMENTS

The University's endowments consist of several individual donor - restricted funds established to support scholarship and loan funds for students as well as funds designated by the Board of Trustees to function as endowments. Net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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

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

(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 of investments

(6) Other resources of the organization

(7) The investment policies of the organization

Unless otherwise acknowledged by the donor, the spending policy for the consolidated investment endowment pool follows the objective of the investment policy and establishes the amount made available for spending from the endowment pool. The current Board of Trustees' approved spending policy is 5% of the market value of the endowment pool on the weighted average over the trailing three years. In the event the current market value of the endowment is less than the historical gift value, spending will continue at 5% for the remaining of the University's fiscal year.

Income derived from the investment of the endowment funds has been accounted for by utilizing the market value unit method for maintaining pooled endowment funds. The following schedule summarizes data pertaining to this method of accounting for the year ended June 30:

	2026	2025
Unit market value	12.73	11.44
Units outstanding	6,047,665	6,038,872

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the University to maintain as a fund of perpetual duration. In such circumstances, the University maintains the donor-required fund level with donor restrictions and includes any deficiency within net assets with donor restrictions. The University had two and five endowment funds underwater as of June 30, 2026 and 2025, respectively.

The following table presents endowment net asset composition by type of fund as of June 30:

		With Donor Restrictions				
2026	Without Donor Restrictions	Original Gift	Accumulated Gain (Losses)	Available for Distributions	Total	Total Endowments Funds
Donor-restricted:						
Underwater	$ -	$ 150,000	$ (83,800)	$ -	$ 66,200	$ 66,200
Other	-	18,953,229	6,429,289	3,190,189	28,572,707	28,572,707
Board-designated	52,843,880	-	-	-	-	52,843,880
Total endowment funds	$ 52,843,880	$ 19,103,229	$ 6,345,489	$ 3,190,189	$ 28,638,907	$ 81,482,787

		With Donor Restrictions				
2025	Without Donor Restrictions	Original Gift	Accumulated Gain (Losses)	Available for Distributions	Total	Total Endowments Funds
Donor-restricted:						
Underwater	$ -	$ 2,188,599	$ (82,581)	$ -	$ 2,106,018	$ 2,106,018
Other	-	16,924,178	3,862,727	3,315,644	24,102,549	24,102,549
Board-designated	47,699,527	-	-	-	-	47,699,527
Total endowment funds	$ 47,699,527	$ 19,112,777	$ 3,780,146	$ 3,315,644	$ 26,208,567	$ 73,908,094

The investment objectives for the management of endowment assets are to manage contributions in a manner that will maximize the benefit intended by the donor, to produce current income to support the programs of the University and donor objectives and to achieve growth of both principal value and income over time sufficient to preserve or increase the purchasing power of the assets, thus protecting the assets against inflation. The University's distributable spending policy is calculated at 5% of the three-year trailing average endowment pool market value. Under the current spending policy, if the ordinary income of pooled investments is insufficient to provide the full amount of the spending rate, the balance to be expended may

be appropriated from the accumulated realized and unrealized gains of the pooled endowment or if accumulations are not sufficient, appropriation will be from operating investment revenues.

The following represents a description of the changes in the net endowment assets for the years ending June 30:

2026	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, beginning of year	$ 47,699,527	$ 26,208,567	$ 73,908,094
Net investment return	6,110,427	3,551,127	9,661,554
Net gifts and designations	5,125	196,299	201,424
Appropriation for expenditures	(1,003,123)	(1,079,012)	(2,082,135)
Other changes, including redesignations	31,924	(238,074)	(206,150)
Net endowment assets, end of year	$ 52,843,880	$ 28,638,907	$ 81,482,787

2025	Without Donor Restrictions	With Donor Restrictions	Total
Net endowment assets, beginning of year	$ 46,588,492	$ 22,370,032	$ 68,958,524
Net investment return	3,681,785	2,237,048	5,918,833
Net gifts and designations	16,036	843,978	860,014
Appropriation for expenditures	(790,546)	(986,731)	(1,777,277)
Other changes, including redesignations	(1,796,240)	1,744,240	(52,000)
Net endowment assets, end of year	$ 47,699,527	$ 26,208,567	$ 73,908,094

Included in the amounts above are contributions receivable of $80,385 and $109,230 for the years ending June 30, 2026 and 2025, respectively.

NOTE 14 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, are available for the following purposes or time periods as follows:

	2026	2025
Net assets subject to expenditure for specified purposes or time periods:		
Educational support	$ 28,875,701	$ 25,229,196
Research programs	892,478	768,638
Endowed professorships	734,040	758,855
Student scholarships	4,670,214	4,672,833
Time restricted	11,458,619	15,274,339
Total subject to expenditure for specified purposes or time periods	46,631,052	46,703,861
Net assets to be maintained in perpetuity		
Educational loan programs	886,877	865,816
Endowed professorships	2,707,037	2,707,036
Student scholarships	14,209,800	14,195,059
Total donor contributions to be maintained in perpetuity	17,803,714	17,767,911
Total net assets with donor restrictions	$ 64,434,766	$ 64,471,772

NOTE 15 - DEFERRED GIFT AGREEMENTS

The University has arrangements with donors classified as charitable remainder trusts and charitable gift annuities. In general, under these arrangements the University receives a gift from a donor and agrees to pay the donor stipulated amounts over the remaining life of the donor or income beneficiary or for a specific term of years. The arrangements may cover one or more lives. The University is obligated under the California Department of Insurance to comply with regulations for annuities under code sections 11520 through 11524 that determine the type of investments and amount to be held in reserves based on mortality life expectancy tables. Under unitrusts, when the agreement reaches the end of its term, remaining assets are retained by the University, or in some instances, distributed to third-party beneficiaries.

When a deferred gift is received, it is split into the amount representing the actuarial present value of the future distributions to the donor and the remaining gift value to be retained for the benefit of the University or third-party beneficiaries. The actuarial liability is adjusted annually using actuarial tables appropriate for the type of arrangement, number of lives covered and age of the income beneficiaries. The University uses a 5.6% interest rate assumption for annuities prior to December 31, 1999, in making the calculation.

NOTE 16 - FUNCTIONAL EXPENSES

The following tables represent functional expenses by natural category for the year ended June 30:

2026	Compensation and Benefits	Supplies and Services	Operation and Maintenance of Plant	Depreciation	Interest Expense	Total
Research	$ 15,503,597	$ 7,118,913	$ 1,388,374	$ 789,506	$ 340,743	$ 25,141,133
Instruction	119,710,417	27,278,064	9,018,643	5,128,494	2,213,410	163,349,028
Academic support	17,978,151	8,294,467	1,612,386	916,891	395,721	29,197,616
Student services	7,545,967	1,962,578	583,552	331,840	143,219	10,567,156
Institutional support	13,174,646	19,219,446	1,982,859	1,130,531	487,926	35,995,408
Auxiliary enterprises	588,162	2,420,793	184,664	105,010	-	3,298,629
Development and fundraising	4,622,461	670,760	324,852	184,729	79,727	5,882,529
Operation and maintenance of plant	3,437,096	11,658,234	(15,095,330)	-	-	-
Total expenses	$182,560,497	$ 78,623,255	$ -	$ 8,587,001	$ 3,660,746	$273,431,499

2025	Compensation and Benefits	Supplies and Services	Operation and Maintenance of Plant	Depreciation	Interest Expense	Total
Research	$ 17,183,558	$ 6,686,472	$ 1,392,721	$ 855,496	$ 404,502	$ 26,522,749
Instruction	111,781,575	26,684,200	8,083,560	4,965,425	2,347,787	153,862,547
Academic support	17,735,308	8,674,632	1,540,914	946,525	447,543	29,344,922
Student services	7,654,127	2,349,000	583,643	358,510	169,513	11,114,793
Institutional support	8,401,240	15,845,127	1,601,542	868,984	410,879	27,127,772
Auxiliary enterprises	522,412	2,424,378	171,933	105,612	-	3,224,335
Development and fundraising	4,236,228	660,111	285,682	175,483	82,973	5,440,477
Operation and maintenance of plant	3,341,766	10,318,229	(13,659,995)	-	-	-
Total expenses	$170,856,214	$ 73,642,149	$ -	$ 8,276,035	$ 3,863,197	$256,637,595

Expenses not directly attributable to one program such as depreciation, interest and plant operations are allocated to specific programs and support services using proportional direct costs incurred by each department.

NOTE 17 - LIFE INSURANCE POLICIES

The University maintains a program whereby donors can make a contribution to the University, which is used to purchase whole life and term insurance policies with the University as owner and beneficiary. The cash surrender value is included in investments. The face amount of these policies was $1,130,924 and $1,127,120 at June 30, 2026 and 2025, respectively, which is not recorded in the University's consolidated financial statements.

NOTE 18 - LEASES

The University is the lessee of equipment and space under operating and finance leases. The University determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The University categorizes leases with contractual terms longer than 12 months as either operating or finance. The University's leases generally have terms

that range from one to five years for equipment and one to 30 years for property, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. Right-of-use ("ROU") assets and lease liabilities for operating leases are included in "Operating lease ROU assets, net" and "Operating lease liabilities", respectively, in the consolidated statement of financial position. Finance lease ROU assets and lease liabilities are included in "Finance lease ROU assets, net" and "Finance lease liabilities", respectively, in the consolidated statement of financial position. Leased assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease.

There were no finance leases as of June 30, 2026. Operating lease ROU assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the risk-free discount rate at the commencement date in determining the present value of future payments. Rent expense related to operating leases, including short-term leases and variable lease payments, was $7,967,662 and $8,776,332 in fiscal years ending June 30, 2026 and 2025, respectively.

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and lease liabilities:

Years Ending June 30,	Operating
2027	$ 5,931,783
2028	5,789,619
2029	5,512,067
2030	5,356,148
2031	5,475,868
Thereafter	40,648,566
Total lease payments	68,714,051
Less: imputed interest	15,985,557
Present value of lease liabilities	$ 52,728,494

Weighted-average remaining lease term and discount rate for operating and finance leases as of June 30, 2026 was:

Weighted-average remaining lease term	
Operating leases	12 years
Weighted-average remaining discount rate	
Operating leases	4.3%

The University leases properties to customers under agreements that are classified as operating leases. The University's lessor arrangements are all operating leases and do not include any sales-type or direct finance leases. Property leased to others are included in property, plant and equipment, net in the consolidated statement of financial position.

NOTE 19 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash, short-term investments, marketable securities and other investments and accounts and notes receivable. The University places substantially all of its cash and liquid investments with established commercial financial institutions and limits the amount of credit exposure to any one financial institution; however, cash balances periodically exceed federally insured limits. Cash balances in excess of federally insured and Securities Investor Protection Corporation limits at June 30, 2026 and 2025, amounted to $12,348,564 and $12,589,591, respectively. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by different investment managers in order to limit credit risk.

NOTE 20 - EMPLOYEE RETIREMENT PLANS

The University has a contributory retirement plan (a “403(b) plan”) covering non-student employees who work at least 20 hours per week. Participation in the plan is mandatory for an employee who becomes eligible on the first day of the month subsequent to their hire date. The minimum employee contribution is 1% with optional additional voluntary amounts in 0.5% increments.

The University contributes 1-1/2 times the employee contribution to the 403(b) plan up to a maximum of 5% of employee contributions for each participating employee. The University had 1,334 and 1,304 active participants in the plan as of December 31, 2025 and 2024, respectively. The University's contribution to the plan was $8,760,248 and $8,346,770 for the years ended June 30, 2026 and 2025, respectively.

The University maintains a deferred compensation plan under IRC Section 457(f) for select management personnel. Contributions and investment earnings vest upon completion of specified service periods or performance milestones; otherwise, they are forfeited. Plan assets remain University property subject to general creditors.

As of June 30, 2026, and 2025, the fair value of these assets totaled $280,000 and $0, respectively, and are included in investments on the consolidated statement of financial position.

The University recognizes compensation expense and a corresponding deferred benefit liability over the requisite service/vesting period. As of June 30, 2026, and 2025, the total recognized obligation under the 457(f) plan was $140,000 and $0, respectively, which is included in accounts payable and accrued liabilities on the consolidated statement of financial position. Total compensation expense recognized under this plan was $140,000 and $0 for the years ending June 30, 2026, and 2025, respectively.

NOTE 21 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets released from time or purpose restrictions are from the following categories for the year ended June 30:

	2026	2025
Research	$ 327,606	$ 314,007
Instruction	1,188,388	1,016,780
Academic support	390,371	683,807
Student services	30,377	272,842
Institutional support	115,586	759,268
Facilities	2,597,809	-
Scholarships and fellowships	1,201,875	1,136,392
Total	$ 5,852,012	$ 4,183,096

NOTE 22 - FEDERAL AND STATE GRANTS

Certain federal and state grants, including financial aid which the University administers and for which it receives reimbursements, are subject to audit and final acceptance by federal and state granting agencies. Current and prior-year expenditures of those 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 that those amounts, if any, would not have a significant impact on the University's financial position. Currently, there are no audits being conducted related to federal and state grants performed by granting agencies.

NOTE 23 - AFFILIATION WITH SAN BERNARDINO COUNTY

The University has an affiliation with San Bernardino County, specifically, Arrowhead Regional Medical Center ("ARMC") in Colton, California. The Osteopathic Post Graduate Training Institute OPTI-West Education Consortium ("Consortium"), a separate tax-exempt IRC Section 501(c)(3) corporation, is comprised of the University, ARMC, and five other health care organizations. This membership Consortium serves to promote clinical teaching and training of health profession students, maintain advanced education and certification in primary and specialty medicine and access to health care services. The University does not have a controlling interest nor ownership in the activities of the Consortium, and they are not included in these consolidated financial statements.

NOTE 24 - CONTINGENCIES

The University is subject to claims and lawsuits that arise in the ordinary course of business. The University purchases medical malpractice insurance under a claims-made policy on a fixed premium basis. U.S. GAAP requires a health care provider to accrue the expense of its share of malpractice claim costs, if any, for any reported and unreported incidents of potential improper professional service occurring during the year by estimating the probable ultimate costs of the incidents. Based upon the University's claim experience, no such accrual has been made.

NOTE 25 - SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the University has evaluated events and transactions for potential recognition or disclosure through November 6, 2026, the date the consolidated financial statements were available to be issued.

The University acquired several land parcels and buildings in downtown Pomona on July 31, 2026, for approximately $14 million dollars with donor provided funds. This acquisition represents an expansion of the physical campus and an investment in the future of the university, in the vitality of downtown Pomona, and in the enduring relationship between the University and the community.