

CALIFORNIA COAST UNIVERSITY
FINANCIAL STATEMENTS
AND
ACCOUNTANTS' AUDIT REPORT
DECEMBER 31, 2023 AND 2022 (UNAUDITED)

A&L CERTIFIED PUBLIC ACCOUNTANTS, APC

ANAHEIM, CALIFORNIA

CALIFORNIA COAST UNIVERSITY
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December 31, 2023 and 2022

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ROBERT L. ALLSUP, CPA
KENT LIM, CPA

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
California Coast University
Santa Ana, California

Opinion

We have audited the accompanying financial statements of California Coast University, which comprise the balance sheet as of December 31, 2023, and the related statements of income and retained earnings and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, with the exceptions noted below, the financial statements referred to above present fairly, in all material respects, the financial position of California Coast University as of December 31, 2023, and the results of its operation 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 audits in accordance with auditing standards generally accepted in the United States of America. 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 California Coast University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of California Coast 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about California Coast 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.

Known Departure From Accounting Principles Generally Accepted in the United States of America

Accounting principles generally accepted in the United States of America require that deferred income taxes be recognized for the tax effects of differences between the financial and tax bases of assets and liabilities and for operating losses and tax credits that are available to offset future taxable income. The University has not recorded deferred taxes in the accompanying financial statements. The effects of this departure from generally accepted accounting principles have not been determined.

Accounting principles generally accepted in the United States of America require that fixed assets be evenly depreciated over their estimated useful lives. The University has computed depreciation on several fixed assets in accordance with the Modified Accelerated Cost Recovery System required for federal income tax purposes, which does not allocate depreciation to expense over the estimated useful lives of the assets. The effect of this departure on the financial statements have not been determined.

Report on Comparative Information

We have previously reviewed California Coast University 2022 financial statements and are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

A&L Certified Public Accountants, APC

Anaheim, California
July 29, 2024

California Coast University
(A Corporation)
Balance Sheet
December 31, 2023 and 2022(Unaudited)

Assets		
	2023	2022
Current Assets		
Cash	\$ 10,641,719	\$ 14,893,602
Stockholder Loan Receivable	2,000,000	-
Tuition Receivable	6,581,026	7,102,105
Prepaid Payroll	-	235
Prepaid State Income Tax	-	8,702
Prepaid Other	<u>5,712.22</u>	<u>8,077.71</u>
Total Current Assets	19,228,458	22,012,722
Investments		
Charles Schwab - Equity Securities	1,373,981	848,575
LPL Financial - Debt Securities	295,770	-
Athene #6249 - Annuity	2,000,000	-
Athene #7449 - Annuity	2,000,000	-
Pacific Life - Annuity	1,800,000	2,000,000
Unrealized Gain or Loss	<u>93,385</u>	<u>(197,705)</u>
Total Investments	7,563,135	2,650,871
Property and Equipment		
Furniture	22,486	22,486
Leasehold Improvements	241,405	220,968
Office Equipment	282,435	279,338
Transportation Equipment	64,670	64,670
Accumulated Depreciation	<u>(482,355)</u>	<u>(472,025)</u>
Total Property and Equipment	128,642	115,437
Other Assets		
Software	31,607	29,685
Accumulated Amortization	(24,255)	(20,552)
Right of Use Operating Lease Assets	<u>1,548,147.64</u>	<u>1,746,820.67</u>
Total Other Assets	<u>1,555,500</u>	<u>1,755,954</u>
Total Assets	<u>\$ 28,475,734</u>	<u>\$ 26,534,983</u>

See accompanying notes and independent accountants' audit report.

California Coast University
(A Corporation)
Balance Sheet
December 31, 2023 and 2022(Unaudited)

Liabilities and Stockholders' Equity

	2023	2022
Current Liabilities		
Unearned Tuition	\$ 4,902,082.06	\$ 4,964,450.46
Accrued Wages	43,049	43,270
Accrued Paid Time Off	78,609	75,492
401K Payable	6,905	3,219
Estimated State Tax Payable	32,748	-
Current Portion ESOP Loan	2,251,283	2,937,902
Current Portion Financing Lease Liabilities	34,120	32,046
Current Portion Operating Lease Liabilities	<u>202,198.00</u>	<u>198,673.03</u>
Total Current Liabilities	7,550,994	8,255,052
Long-Term Liabilities		
ESOP Direct Loan	5,849,279	11,399,596
Less Current Portion ESOP Loan	(2,251,283)	(2,937,902)
Financing Lease Liabilities	62,305	94,351
Less Current Portion Financing Lease Liabilities	(34,120)	(32,046)
Operating Lease Liabilities	1,548,148	1,746,821
Less Current Portion Operating Lease Liabilities	<u>(202,198)</u>	<u>(198,673)</u>
Total Long-Term Liabilities	<u>4,972,130</u>	<u>10,072,147</u>
Total Liabilities	<u>12,523,124</u>	<u>18,327,199</u>
Stockholders' Equity		
Capital Stock	1,500	1,500
Additional Paid in Capital	50,000	(838,000)
Retained Earnings	31,237,110	25,232,284
Unearned ESOP Shares	<u>(15,336,000.00)</u>	<u>(16,188,000.00)</u>
Total Stockholders' Equity	<u>15,952,610</u>	<u>8,207,784</u>
Total Liabilities and Stockholders' Equity	<u>\$ 28,475,734</u>	<u>\$ 26,534,983</u>

See accompanying notes and independent accountants' audit report.

California Coast University
(A Corporation)
Statement of Income and Retained Earnings
For the Twelve Months Ended December 31, 2023 and 2022(Unaudited)

	12 Months Ended Dec 31, 2023	%	12 Months Ended Dec 31, 2022	%
Revenue				
Tuitions Earned	\$ 14,192,739	104.20%	\$ 13,547,071	103.67 %
Other Income	3,972	0.03 %	7,284	0.06 %
Student Refunds	<u>(576,687)</u>	<u>(4.23)%</u>	<u>(486,807)</u>	<u>(3.73)%</u>
Total Revenue	13,620,024	100.00 %	13,067,548	100.00 %
Operating Expenses				
Salaries & Wages	2,748,595	20.18 %	2,567,014	19.64 %
Payroll Taxes	211,712	1.55 %	191,777	1.47 %
Accreditation	164,690	1.21 %	84,472	0.65 %
Advertising & Marketing	457,589	3.36 %	491,824	3.76 %
Auto	2,103	0.02 %	2,116	0.02 %
Business Promotion	5,802	0.04 %	3,077	0.02 %
Bank Charges	13,704	0.10 %	15,773	0.12 %
Curriculum Development	11,667	0.09 %	20,074	0.15 %
Computer Services	106,877	0.78 %	80,805	0.62 %
Consulting & Adjunct Faculty	66,680	0.49 %	72,110	0.55 %
Credit Card Discounts	304,055	2.23 %	252,658	1.93 %
Depreciation	10,330	0.08 %	133,227	1.02 %
Amortization	3,703	0.03 %	537	0.00 %
Dues & Subscriptions	5,847	0.04 %	46,445	0.36 %
Education & Seminars	21,193	0.16 %	18,045	0.14 %
Employee Incentives	14,795	0.11 %	9,162	0.07 %
Entertainment	244	0.00 %	577	0.00 %
Equipment Rental	4,019	0.03 %	3,015	0.02 %
ESOP	72,746	0.53 %	74,172	0.57 %
ESOP Compensation Expense	1,740,000	12.78 %	1,318,000	10.09 %
Insurance	355,410	2.61 %	309,692	2.37 %
Legal Fees	60,852	0.45 %	66,733	0.51 %
Meals	407	0.00 %	474	0.00 %
Miscellaneous	426	0.00 %	5,112	0.04 %
Office Supplies	40,405	0.30 %	44,179	0.34 %
Outside Services	53,582	0.39 %	63,968	0.49 %
Professional Fees	67,114	0.49 %	1,639	0.01 %
Paper & Toner	22,131	0.16 %	15,787	0.12 %
Pension Contribution	343,005	2.52 %	235,195	1.80 %
Postage	70,209	0.52 %	77,638	0.59 %
Printing	30,245	0.22 %	48,953	0.37 %
Rent	223,800	1.64 %	223,800	1.71 %
Repairs & Maintenance	57,155	0.42 %	82,579	0.63 %
Social Media	269	0.00 %	99	0.00 %
Software	298	0.00 %	1,946	0.01 %
Tax & Licenses	51,071	0.37 %	69,579	0.53 %
Telephone	19,569	0.14 %	19,282	0.15 %
Travel	8,420	0.06 %	5,488	0.04 %
Utilities	<u>67,825.80</u>	<u>0.50 %</u>	<u>64,753.84</u>	<u>0.50 %</u>
Total Operating Expenses	<u>7,438,544</u>	<u>54.61 %</u>	<u>6,721,775</u>	<u>51.44 %</u>

See accompanying notes and independent accountants' audit report.

California Coast University
(A Corporation)
Statement of Income and Retained Earnings
For the Twelve Months Ended December 31, 2023 and 2022(Unaudited)

	12 Months Ended Dec 31, 2023	%	12 Months Ended Dec 31, 2022	%
Operating Income (Loss)	6,181,480	45.39 %	6,345,773	48.56 %
Other Income				
Interest Income	387,592	2.85 %	78,108	0.60 %
Unrealized Gain (Loss) on Investments	291,090	2.14 %	(100,919)	(0.77)%
Miscellaneous Income	39,643	0.29 %	41,594	0.32 %
Dividend Income	55,180	0.41 %	40,857	0.31 %
Gain on Investments	<u>0.00</u>	<u>0.00 %</u>	<u>24,262.16</u>	<u>0.19 %</u>
Total Other Income	773,504	5.68 %	83,902	0.64 %
Other Expenses				
Interest Expense	579,775	4.26 %	875,811	6.70 %
Loss on Sale of Investment	254,635	1.87 %	-	0.00 %
Penalties	<u>2,278.00</u>	<u>0.02 %</u>	<u>0.00</u>	<u>0.00 %</u>
Total Other Expenses	<u>836,689</u>	<u>6.14 %</u>	<u>875,811</u>	<u>6.70 %</u>
Income (Loss) Before Income Taxes	6,118,296	44.92 %	5,553,863	42.50 %
Income Tax Expense				
State Tax	<u>113,470</u>	<u>0.83 %</u>	<u>81,302</u>	<u>0.62 %</u>
Net Income (Loss)	<u>6,004,826</u>	<u>44.09 %</u>	<u>5,472,561</u>	<u>41.88 %</u>
Retained Earnings				
Beginning of Year	25,232,284		19,759,723	
End of Year	<u>\$ 31,237,110</u>		<u>\$ 25,232,284</u>	

See accompanying notes and independent accountants' audit report.

California Coast University
(A Corporation)
Statement of Cash Flows
For the Twelve Months Ended December 31, 2023 and 2022 (Unaudited)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 6,004,826	\$ 5,472,561
Adjustments to reconcile net income to net cash (used) provided by operating activities:		
Depreciation	10,330	133,227
Amortization	3,703	537
Unrealized gain on investments	(291,090)	100,919
Realized loss (gain) on sale of securities	254,635	(24,262)
Decrease (increase) in operating assets:		
Tuition receivable	521,078	(712,363)
Prepaid expenses	11,303	(11,973)
Right of use operating lease assets	198,673	(1,746,821)
Increase (decrease) in operating liabilities:		
Accrued wages	(221)	4,922
Accrued paid time off	3,117	9,217
Operating lease liabilities	(198,673)	1,746,821
Pension payable	3,685	(130)
States tax payable	32,748	(3,418)
Unearned tuition	<u>(62,368)</u>	<u>(289,465)</u>
Net cash provided (used) by operating activities	<u>6,491,746</u>	<u>4,679,772</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(23,535)	(125,520)
Purchase of software	(1,922)	(9,670)
(Increase) decrease in notes receivable	(2,000,000)	-
Proceeds from sale of securities	949,482	271,073
(Increase) decrease in annuities	(3,800,000)	(2,000,000)
Purchase of investments in marketable securities	<u>(2,025,292)</u>	<u>(246,800)</u>
Net cash provided (used) by investing activities	<u>(6,901,267)</u>	<u>(2,110,916)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase on long-term debt	(6,691)	101,042
Principal payments on long-term debt	(5,575,672)	(1,757,385)
Unearned ESOP Shares	852,000	852,000
Paid in capital	<u>888,000</u>	<u>466,000</u>
Net cash provided (used) by financing activities	<u>(3,842,363)</u>	<u>(338,344)</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,251,884)	2,230,512
CASH AND CASH EQUIVALENTS, beginning of year	<u>14,893,602</u>	<u>12,663,090</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 10,641,719</u>	<u>\$ 14,893,602</u>

See accompanying notes and independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity

California Coast University (the "University") was incorporated under the laws of the State of California on April 13, 1973. The University provides degree completion programs through distance learning methods, which are designed for students whose geographic, professional, or personal time commitments prevent them from completing their education in traditional on-campus programs.

Cash Equivalents

For purposes of the statement of cash flows, the University considers all short-term securities purchased with a maturity of three months or less to be "cash equivalents."

As of December 31, Cash is comprised of the following:

	<u>2023</u>	<u>2022</u>
Cash in Bank	\$10,604,940	\$14,141,200
Charles Schwab Money Market Funds	<u>36,779</u>	<u>752,402</u>
	<u>\$10,641,719</u>	<u>\$14,893,602</u>

Tuition Receivable

Tuition Receivables are carried at their estimated collectible amounts. Credit is generally extended on a short-term basis; thus receivables do not bear interest.

The University utilizes the direct write off method to account for bad debt expense. Any unrecoverable receipts are charged off against revenue. Recoveries of items previously charged off are recognized as income when received. Generally accepted accounting principles require the reserve method to be used to account for bad debts; however, the use of the method described above does not result in a material difference between that and the reserve method. See Note 2.

(Continued)

See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY

Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The University invests in publicly traded equity securities through Charles Schwab and US Treasury bill debt securities through LPL Financial. In addition, they have an annuity through Pacific Life and two annuities through Athene. Investments in equity securities and debt securities are classified as marketable securities and are carried on the financial statements at fair value. Investments in annuities are carried on the financial statements at fair value. Adjustments to fair market value of investments classified as "marketable securities" and annuities are recorded in other income.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using accelerated and straight-line methods over the estimated useful lives of respective assets, generally five to seven years. Leasehold improvements are stated at cost. Depreciation expense for the years ended December 31, 2023 and 2022 amounted to \$10,330 and \$133,227, respectively.

S-Corporation - Income Tax Status

The University reports income on the accrual basis for financial statement presentation and under the modified cash basis for income tax reporting.

The University is taxed as an S-corporation under the Internal Revenue Code. In lieu of corporation income taxes, the stockholders are taxed on their proportionate share of the University's taxable income. Accordingly, no provision or liability for federal income taxes has been included in the financial statements. The state income tax provision has been computed using the lesser of the 1.5% applicable rate or the minimum franchise tax.

Certain tax years that remain subject to examination by major tax jurisdictions are as follows:

U.S. Treasury, Internal Revenue Service -2021, 2022, 2023

California Franchise Tax Board -2020, 2021, 2022, 2023

(Continued)

See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are charged to operations when incurred. Advertising costs for the years ended December 31, 2023 and 2022 were \$457,589 and \$491,824, respectively.

Revenue Recognition

The University recognizes revenue when earned. The University estimates earned revenue under a formula based on actual coursework completed.

Use of Estimates

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

Unrealized Gains and Loss on Equity Securities Classified as Available-for-Sale

Equity securities are carried in the financial statements at fair value, and both realized and unrealized gains and losses are included in earnings.

Unrealized Gains and Loss on Debt Securities Classified as Held-to-Maturity

Debt securities are carried in the financial statements at fair value, and both realized and unrealized gains and losses are included in earnings.

Unrealized Gains and Loss on Annuities

Annuities are carried in the financial statements at fair value, and both realized and unrealized gains and losses are included in earnings.

(Continued)

See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The University provides its employees with paid vacation and other personal time off. Accrued, but unused vacation is recorded as a current liability.

Leases

Financial Accounting Standards Board issued new guidance in the Accounting Standards Codification (ASC) Topic 842 Leases. The new standard establishes a right-of-use model (ROU) requiring the University to recognize asset and lease liability on the Balance Sheet for all leases with a term longer than 12 months. Leases will be classified as finance leases or operating leases.

On January 1, 2022, the University adopted ASC 842 using the effective date method, which allows the application of the new standard on a prospective basis. Financial information preceding the adoption date of January 1, 2022 will not be adjusted or updated. ASC 842 allows the election of an optional package of practical expedients to help ease the application of the standard. The University elected the package of practical expedients, which include no reassessment of existing or expired lease classification under ASC 842, no re-evaluation of existing or expired embedded leases under ASC 842, and no reassessment of initial direct costs of existing or expired leases under ASC 842.

The adoption of ASC 842 will have a material effect on the financial statements. The most significant effects related to the recognition of new ROU assets and lease liabilities on the Balance Sheet for the facility lease and significant new disclosures about lease activity. Upon adoption of ASC 842, the University recorded ROU and lease liability of \$1,942,000 relating to a facility lease and an equipment lease. Additional lease activity is detailed in Note 6 of the financial statements.

See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 2 - UNEARNED TUITION

Unearned tuition represents the aggregate amounts of payments made to the University by students in excess of tuition revenue considered earned under the University's revenue recognition policy. The University estimates earned revenue under a formula based on actual coursework completed and corresponding tuitions paid.

NOTE 3 - MARKETABLE SECURITIES AND ANNUITIES

Marketable securities and annuities consist of domestic corporate stocks, mutual funds, municipal bonds, US Treasury bills, and annuities stated at fair values measured using quoted prices in the active market. See Note 4.

	2023	2022
Cost of Securities and Annuities	\$7,469,750	\$2,848,575
Fair Value Adjustment	93,385	(197,705)
Aggregate Fair Value	\$7,563,135	\$2,650,871

As of December 31, 2023 and 2022, net unrealized gain/(loss) for the year on the securities and annuities were \$93,385 and (\$197,705) respectively.

A schedule of securities purchased is kept and the cost of a security sold is determined based on the first in-first out method. For the years ended December 31, 2023 and 2022, the gain/loss on marketable securities was calculated as follows:

	2023	2022
Proceeds from sales of available-for-sale securities	\$348,482	\$271,073
Cost of available-for-sale securities	(607,489)	(246,811)
Gain (loss) on sale of available-for-sale securities	(\$259,007)	\$24,262
Proceeds from sales of held-to-maturity securities	\$601,000	\$0
Cost of held-to-maturity securities	(596,628)	0
Gain (loss) on sale of held-to-maturity of securities	\$4,372	\$0

(Continued)

See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 3 - MARKETABLE SECURITIES AND ANNUITIES (Continued)

The following tables summarize the amortized cost and fair value of securities available-for-sale, securities held-to-maturity, and annuities at December 31, 2023 and 2022 and the corresponding amounts of gross unrealized gains and losses recognized in other income(loss):

	December 31, 2023			
	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Equity Securities	\$1,373,981	\$0	(\$17,243)	\$1,356,738
Total available-for-sale securities	1,373,981	0	(17,243)	1,356,738
Held-to-maturity securities				
Debt Securities (Due within one year)	295,770	2,911	0	298,680
Total held-to-maturity securities	295,770	2,911	0	298,680
Annuities				
Due within one year to five years	5,800,000	107,717	0	5,907,717
Total Annuities	5,800,000	107,717	0	5,907,717
Total Investments	\$7,469,750	\$110,628	(\$17,243)	\$7,563,135

(Continued)
See independent accountants' audit report.

CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 3 - MARKETABLE SECURITIES AND ANNUITIES (Continued)

December 31, 2022

	Amortized cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
Available-for-sale securities				
Equity Securities	\$848,575	\$0	(\$237,511)	\$611,064
Total available-for-sale securities	848,575	0	(237,511)	611,064
Held-to-maturity securities				
Debt Securities (Due within one year)	0	0	0	0
Total held-to-maturity securities	0	0	0	0
Annuities				
Due within one year to five years	2,000,000	39,806	0	2,039,806
Total Annuities	2,000,000	39,806	0	2,039,806
Total Investments	\$2,848,575	\$39,806	(\$237,511)	\$2,650,871

NOTE 4 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The University's financial instruments, none of which are held for trading purposes, include cash and investments. The University's estimates that the fair value of all financial instruments at December 31, 2023 and 2022 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair values amounts have been determined by the University on a recurring basis using available market information and appropriate valuation methodologies (Level 1 Inputs).

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CALIFORNIA COAST UNIVERSITY
Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 4 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the University could realize in a current market exchange.

NOTE 5 - CONCENTRATIONS OF CREDIT RISK

The University maintains cash balances at Bank of the West and Cathay Bank. Accounts at the bank are insured by the Federal Deposit Insurance Corporation up to \$250,000. As of December 31, 2023 and 2022, the University's uninsured cash fund balance was \$10,104,640 and \$14,008,689, respectively.

The University also maintains cash in money market funds at broker-dealers. Cash investments at the broker-dealers are insured by the Securities Investor Protection Corporation up to \$500,000. As of December 31, 2023 and 2022, the University's uninsured money market fund balance was \$856,738 and \$111,064, respectively.

The University provides financing to its students. Generally, the University requires a minimal down payment and accepts monthly payments as the student progresses through the program. No interest is charged. The University monitors student progress and will place students on financial hold if payments are not made. Consequently, the risk of financial loss is minimal.

NOTE 6 - COMMITMENTS

Operating Leases

The University leases its facility under an operating lease expiring April of 2031, requiring a minimum monthly payment of \$18,650, from French Park Plaza, LLC, related to the University through the organization's president. The University elected to discount the facility lease at an annual interest rate of 1.76%, which is the risk-free rate at the time of adoption of ASC 842. The University paid \$223,800 and \$223,800 relating to the facility lease during the years ended December 31, 2022 and 2023, respectively. The University is currently in its third year of the ten-year lease. There is an option to extend the lease for five years at the end of the lease term.

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CALIFORNIA COAST UNIVERSITY

Notes to Financial Statements
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NOTE 6 - COMMITMENTS (Continued)

The University leases a postage meter under an operating lease expiring May of 2026 requiring a minimum monthly payment of \$335. The University elected to discount the postage meter lease at an annual interest rate of 1.76%, which is the risk-free rate at the time of adoption of ASC 842. The University paid \$4,020 and \$4,020 relating to the postage meter lease during the years ended December 31, 2022 and 2023, respectively.

As of December 31, 2023, ROU asset, lease liability, and lease expense for the operating lease consists of the following:

	ROU Asset	Lease Liability Current	Lease Liability Net of Current	Lease Expense
Postage Meter	\$ 9,503	\$ 3,883	\$ 5,620	\$ 4,020
Facility Lease	<u>1,538,644</u>	<u>198,315</u>	<u>1,340,329</u>	<u>223,800</u>
	\$ 1,548,148	\$ 202,198	\$ 1,345,949	\$ 227,820

As of December 31, 2022, ROU asset, lease liability, and lease expense for the operating lease consists of the following:

	ROU Asset	Lease Liability Current	Lease Liability Net of Current	Lease Expense
Postage Meter	\$ 13,319	\$ 3,816	\$ 9,503	\$ 4,020
Facility Lease	<u>1,733,502</u>	<u>194,857</u>	<u>1,538,645</u>	<u>223,800</u>
	\$ 1,746,821	\$ 198,673	\$ 1,548,148	\$ 227,820

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Notes to Financial Statements
December 31, 2023 and 2022 (Unaudited)

NOTE 6 - COMMITMENTS (Continued)

The following is a schedule by years of future minimum rental payments required under the operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2023 and 2022:

Year Ending December 31,	<u>2023</u>	<u>2022</u>
2023	\$	227,820
2024	\$	227,820
2025		227,820
2026		225,475
2027		223,800
2028		223,800
2029		223,800
2030		223,800
2031		74,600
	<hr/>	<hr/>
Subtotal	1,650,914	1,878,734
Less: Amounts Discounted	(102,766)	(131,912)
	<hr/>	<hr/>
Total	\$ <u>1,548,148</u>	\$ <u>1,746,822</u>

Financing Leases

The University leases servers under a financing lease expiring August of 2025 requiring a minimum monthly payment of \$1,940. The University will discount the server lease at an annual interest rate of 7.81%, which is the implicit rate of the lease. The University paid \$5,819 and \$23,275 relating to the server lease during the years ended December 31, 2022 and 2023, respectively.

The University leases a copy machine under a financing lease expiring October of 2025 requiring a minimum monthly payment of \$1,149. The University elected to discount the copy machine lease at an annual interest rate of 3.89%, which is the risk-free rate at the commencement date of the lease term. The University paid \$2,297 and \$13,782 relating to the copy machine lease during the years ended December 31, 2022 and 2023, respectively.

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Notes to Financial Statements
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NOTE 6 - COMMITMENTS (Continued)

Future minimum commitments under the financing leases are as follows:

Year Ended December 31,	<u>2023</u>	<u>2022</u>
2023	\$	37,058
2024	\$ 37,058	37,058
2025	<u>28,942</u>	<u>28,942</u>
Total	\$ <u>65,999</u>	\$ <u>103,058</u>

NOTE 7 - RELATED PARTY TRANSACTIONS

The University also leases its facility from French Park Plaza, LLC. Tom Neal is a 100% owner of French Park Plaza, LLC and is still President after selling his ownership. For the years ended December 31, 2023 and 2022, total rents paid were \$223,800 and \$223,800, respectively.

NOTE 8 - PENSION AND PROFIT-SHARING PLANS

The University maintains a pension benefit plan under provisions of section 401(k) of the Internal Revenue Code covering all employees of the University. Under the provisions of the plan, employees can contribute a portion of their wages to the plan up to a maximum of 15% of compensation. The University has elected to make matching contributions up to 25% of the employee's contribution in 2023 and 2022, respectively. Contributions for the years ended December 31, 2023 and 2022 were \$343,005 and \$235,195, respectively.

NOTE 9 - STATEMENT OF CASH FLOWS

For the years ended December 31, 2023 and 2022, supplemental disclosures relating to the statement of cash flows are as follows:

	<u>2023</u>	<u>2022</u>
Cash paid during the year for income taxes	\$ <u>74,298</u>	\$ <u>90,000</u>
Cash paid during the year for interest	\$ <u>579,775</u>	\$ <u>875,811</u>

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NOTE 10 - ESOP

On May 1, 2017 the sole shareholder sold 100% of his stock to the Trust which implements and forms part of the California Coast University Employee Stock Ownership Plan, and California Coast University. The Trust and the Plan are collectively referred to as "ESOP". Total sales price is \$21,300,000 payable in forty-eight quarterly payments at a 7.00% annual interest rate. The ESOP purchased 1,000,000 shares at \$23.10 a share. Principal balance is \$5,849,279 with \$2,251,283 considered current at the end of 2023 and \$11,399,596 with \$2,937,902 considered current at the end of 2022.

The University will be sponsoring the ESOP to all eligible employees and start making annual contributions on December 31, 2017. The ESOP shares will be pledged as collateral for its debt. The University sponsors a leveraged employee stock ownership plan (ESOP) that covers all U.S. employees who work 30 or more hours per week. The University makes annual contributions to the ESOP equal to the ESOP's debt service. The ESOP shares initially were pledged as collateral for its debt. As the debt is repaid, shares are released from collateral and allocated to active employees, based on the proportion of debt service paid in the year. Debt of the ESOP is recorded as debt and the shares pledged as collateral are reported as unearned ESOP shares in the balance sheet. As shares are released from collateral, the University reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. ESOP compensation expense was \$1,740,000 for 2023 and \$1,318,000 for 2022. The ESOP shares as of December 31 were as follows:

	<u>2023</u>
Allocated shares	240,000
Shares released for allocation	40,000
Unreleased shares	<u>720,000</u>
Total ESOP shares	<u>1,000,000</u>
Fair value of unreleased shares at December 31	<u>\$35,568,000</u>

	<u>2022</u>
Allocated shares	200,000
Shares released for allocation	40,000
Unreleased shares	<u>760,000</u>
Total ESOP shares	<u>1,000,000</u>
Fair value of unreleased shares at December 31	<u>\$28,576,000</u>

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NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 29, 2024, the date on which the financial statements were available to be issued.

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