



**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Basic Financial Statements

June 30, 2023

(With Independent Auditors' Report Thereon)

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Basic Financial Statements:	
Statement of Net Position (Deficit)	3
Statement of Revenues, Expenses, and Changes in Net Position	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-16



KPMG LLP  
Suite 700  
20 Pacifica  
Irvine, CA 92618-3391

## Independent Auditors' Report

The Board of Regents  
University of Massachusetts Global:

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of the University of Massachusetts Global (the University), a component unit of the University of Massachusetts, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the University, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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.

#### *Emphasis of Matter*

As discussed in Note 1 to the basic financial statements, at the end of fiscal year 2023, the University adopted Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinion is not modified with respect to this matter.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the University's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not



a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

#### *Required Supplementary Information*

Management has omitted management's discussion and analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

Irvine, California  
November 17, 2023

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Statement of Net Position (Deficit)

June 30, 2023

**Assets**

Current assets:

Cash	\$ 24,404,410
Restricted cash	51,664
Accounts receivable, net	9,820,442
Prepaid expenses, and other	<u>1,809,320</u>
Total current assets	<u>36,085,836</u>

Noncurrent assets:

Capital assets, net	<u>17,901,829</u>
Total noncurrent assets	<u>17,901,829</u>
Total assets	<u>\$ 53,987,665</u>

**Liabilities**

Current liabilities:

Accounts payable and accrued expenses	\$ 9,189,362
Unearned revenues	14,524,085
Lease liabilities, current portion	<u>5,204,795</u>
Total current liabilities	<u>28,918,242</u>

Noncurrent liabilities:

Notes payable, noncurrent portion	100,624,285
Lease liabilities, noncurrent portion	<u>6,641,315</u>
Total noncurrent liabilities	<u>107,265,600</u>
Total liabilities	<u>136,183,842</u>

**Net Position (Deficit)**

Net investment in capital assets	6,055,720
Restricted – expendable	422,742
Unrestricted	<u>(88,674,640)</u>
Total net position (deficit)	<u>\$ (82,196,178)</u>

See accompanying notes to financial statements.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Statement of Revenues, Expenses, and Changes in Net Position (Deficit)

Year ended June 30, 2023

Operating revenues:	
Tuition and fees (net of University scholarship allowances of \$8,363,677)	\$ 98,254,502
Auxiliary enterprises	1,383,867
Other operating revenues	26,102
Total operating revenues	<u>99,664,471</u>
Operating expenses:	
Educational and general:	
Instruction	29,963,982
Academic support	11,407,110
Student services	51,489,960
Institutional support	20,395,389
Depreciation and amortization	7,343,261
Total operating expenses	<u>120,599,702</u>
Operating loss	<u>(20,935,231)</u>
Nonoperating revenues (expenses):	
Federal grants	(128,112)
Private gifts and grants	637,729
Investment income	77,091
Interest on indebtedness	(2,560,149)
Gain on disposal of capital assets	183,830
Other gains	4,893,427
Total nonoperating revenues	<u>3,103,816</u>
Decrease in net position	(17,831,415)
Net deficit at beginning of period	<u>(64,364,763)</u>
Net deficit at end of period	<u>\$ (82,196,178)</u>

See accompanying notes to financial statements.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Statement of Cash Flows

Year ended June 30, 2023

Cash flows from operating activities:	
Tuition and fees	\$ 97,117,888
Payments to suppliers	(31,170,158)
Payments to employees	(66,107,317)
Payments for benefits	(14,830,524)
Payments for scholarships and fellowships	(5,306,777)
Auxiliary enterprises receipts	1,379,892
Other receipts, net	<u>25,944</u>
Net cash used in operating activities	<u>(18,891,052)</u>
Cash flows from noncapital financing activities:	
Federal appropriations	(128,112)
Nonoperating federal grants	<u>637,729</u>
Net cash provided by noncapital financing activities	<u>509,617</u>
Cash flows from capital and other financing activities:	
Purchases of capital assets and construction	(83,086)
Sales of capital assets	881,854
Interest paid on debt and leases	(1,662,989)
Principal paid on debt and leases	<u>(6,594,428)</u>
Net cash used in capital financing activities	<u>(7,458,649)</u>
Cash flows from investing activities:	
Interest on Investments	<u>77,092</u>
Net cash provided by investing activities	<u>77,092</u>
Net decrease in cash and restricted cash	(25,762,992)
Cash and restricted cash – beginning of the year	<u>50,219,066</u>
Cash and restricted cash – end of year	<u>\$ 24,456,074</u>

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Statement of Cash Flows

Year ended June 30, 2023

Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (20,935,231)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation expense	2,036,483
Amortization of right of use assets	5,306,780
Changes in assets and liabilities:	
Accounts receivable, net	(1,690,173)
Other current assets	938,289
Accounts payable and accrued expenses	(3,743,155)
Unearned revenues and advances	549,425
Other long-term liabilities	<u>(1,353,470)</u>
Net cash used in operating activities	<u>\$ (18,891,052)</u>
Supplemental disclosure of noncash activities:	
Assets acquired in exchange for lease obligation	\$ 12,678,497
Extinguishment of debt	41,906,810



**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(1) Summary of Significant Accounting Policies**

**(a) Reporting Entity**

University of Massachusetts Global (the University or UMG), a not-for-profit institution of higher learning, and its blended component unit, CBE Educational Services Company, Inc., (CBEEESC) a taxable corporation, are located in Orange County, California, and Washington D.C. respectively. The University is a blended component unit of the University of Massachusetts.

CBEEESC was acquired in March of 2017 for the primary purpose of creating and maintaining the competency-based learning management software platform which The University offers to its students. CBEEESC is wholly owned by The University. CBEEESC is blended in the financial statements of the University given the exclusivity of its financial relationship with the University. CBEEESC has generated no net income since its acquisition in 2017 and is not material to the University's overall financial statements.

On September 1, 2021, Chapman University and affiliates (Chapman University) transferred control of Brandman University and Brandman's governing board to the University of Massachusetts in exchange for certain notes payable as described in notes 6 and 10. After the close of this transaction, Brandman University changed its name to UMass Global, and on March 9, 2022 it changed once again to University of Massachusetts Global.

In 2023, the University received notification from the Department of Education stating that in order to continue to participate in the Student Financial Aid Program, the University would need to provide a letter of credit to the Department. This notification came as a result of failing to meet the minimum financial requirements as measured from the September 1, 2021, Same Day Balance Sheet. The University of Massachusetts has since provided the required letter of credit to the Department on behalf of the University.

The University of Massachusetts has agreed to provide financial support to the University sufficient to satisfy the University's obligations as they come due until at least November 17, 2024, and will satisfy, on a timely basis all liabilities and obligations of the University that are necessary. This support also includes the debt and interest payments for each of the notes payable if the University is unable to make those payments, without restrictions.

**(b) Basis of Presentation and Accounting**

The accompanying financial statements are presented using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). Revenues for exchange transactions are recognized when earned and expenses are recognized when incurred. Restricted grant revenue is recognized only when all eligibility requirements have been met.

On the Statement of Revenues, Expenses, and Changes in Net Position (Deficit), the University's operating activities consist of tuition and fees, sales and services, auxiliary enterprises and other operating revenues.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

Operating expenses include, among other items, payroll, utilities, supplies and services, depreciation, and amortization. Nonoperating revenues or expenses are those in which the University receives or gives value without directly giving or receiving equal value, such as Federal Pell grants, private gifts, interest expense, and investment income.

During the year ended June 30, 2023, the University adopted GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) (GASB 96). The objective of GASB 96 is to better meet the information needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. GASB 96 increases the usefulness of governments' financial statements by requiring recognition of certain SBITAs assets and liabilities for SBITAs that previously were classified as operating expenses and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITAs accounting based on the principle that SBITAs are financings of the right to use an underlying asset. As defined in GASB Statement No. 96, paragraph 6, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Both an asset and a liability are recorded for qualifying SBITAs, thereby enhancing the relevance and consistency of information about governments' SBITAs activities. The University adopted GASB 96 effective September 1, 2021, which resulted in adjustment to its previously reported assets and liabilities as follows:

	<b>Assets</b>	<b>Liabilities</b>
Balance as of September 1, 2021, as previously reported	\$ 150,709,949	198,536,735
Plus:		
Implementation of GASB Statement No. 96	8,924,979	8,924,979
Balance as of September 1, 2021, as restated	\$ 159,634,928	207,461,714

**(c) Cash**

The following table provides a reconciliation of cash and restricted cash reported within the statement of net position (deficit).

	<b>June 30, 2023</b>
Cash	\$ 24,404,410
Restricted cash	51,664
Total cash and restricted cash	\$ 24,456,074

Amounts included in restricted cash represent those required to be set aside by an agreement with donors restricted for specific projects or purposes.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2023, the bank balances of uninsured deposits totaled \$24.4 million. Uncollateralized bank balances include \$24.1 million in excess of the Federal Deposit Insurance Corporation (FDIC) limits at June 30, 2023.

**(d) Accounts Receivable, Net**

Accounts receivable primarily consist of receivables for tuition and fees. The University establishes an allowance for accounts receivable based on management's expectation regarding the collection of the receivables and the University's historical experience for collections.

**(e) Capital Assets**

The University capitalizes assets with useful lives greater than one year and acquisition costs greater than or equal to \$1,000. Capital assets are stated at cost or estimated fair value at date of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

<u>Asset Type</u>	<u>Years</u>
Buildings and improvements	3–50
Equipment	3–15

**(f) Leases (Lessee)**

*Measurement of Lease Amounts*

At lease commencement, the University initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the University is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

*Key Estimates and Judgments*

Key estimates and judgments include how the University determines (1) the discount rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

*Remeasurement of Lease Amounts*

The University monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease liability, the liability is remeasured and a corresponding adjustment is made to the lease asset.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

*Presentation in Statement of Net Position*

Lease assets are reported with capital assets and lease liabilities are reported with long-term debt in the statement of net position.

**(g) Compensated Absences**

Employees earn the right to be compensated during absences for vacation leave. Upon retirement, termination, or death, certain employees are compensated for unused vacation leave, subject to certain limitations, at their current rate of pay. Within the statement of net position (deficit), a liability is recorded for vacation benefits earned as of the fiscal year-end. The recorded liability is classified as current on the statement of net position (deficit).

**(h) Unearned Revenues**

Unearned revenue consists of amounts billed or received in advance of the University providing educational services. Unearned revenue is subsequently earned as qualifying expenses are incurred.

**(i) Net Position (Deficit)**

Net position (deficit) is classified into the following categories:

*Net Investment in Capital Assets:* Capital assets at historical cost or estimated fair value on the date of gift, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted-expendable:* Resources whose use by the University is subject to externally imposed stipulations. Such assets include restricted grants, restricted gifts, and other similar restricted funds.

*Unrestricted:* The net position (deficit) that is not subject to externally imposed restrictions governing their use.

The University applies restricted net position first when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

**(j) Tuition and Fees, Net of Scholarship Allowances**

Student tuition and fees are reported net of any related University-funded discounts. Scholarships paid directly to students are separately reported as a scholarship expense.

**(k) Grants and Contracts**

The University receives grants and contracts from federal and state government agencies as well as private organizations. The University records revenue at the point all eligibility requirements (e.g. allowable costs are incurred) are met.

**(l) Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(m) Income Taxes**

The University, with the exception of CBEESC, is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code and is generally not subject to federal or state income taxes. However, the University is subject to income taxes on any net income that is derived from a trade or business regularly carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the financial statements. CBEESC is subject to applicable federal and state income taxes, but no tax provision has been recorded as there has been no net income since its inception.

**(n) Current Environment**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. The outbreak of the disease has affected travel, commerce, and financial markets globally, including in the United States. The continued spread of COVID-19 and its impact on social interaction, travel, economies, and financial markets may adversely affect operations and financial condition, including, among other things, (i) the ability of the University to conduct its operations and/or the cost of operations, and (ii) governmental and non-governmental funding.

The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the higher education landscape in general. While the financial impact on the University cannot be fully quantified at this time, the pandemic does not appear to have had a material adverse effect on the current and future financial profile and operating performance of the University. The University continues to monitor the course of the pandemic and is prepared to take additional measures to protect the health of the University community and promote the continuity of its academic mission.

**(2) Accounts Receivable, Net**

Accounts receivable as of June 30, 2023 is as follows:

Student accounts receivable	\$ 10,343,107
Other	<u>1,530,868</u>
Total	11,873,975
Less allowance for doubtful accounts	<u>(2,053,533)</u>
Accounts receivable, net	<u>\$ 9,820,442</u>

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(3) Capital Assets**

Capital assets at June 30, 2023 consists of the following:

<u>Asset</u>	<u>As of June 30, 2022</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>As of June 30, 2023</u>
Land	\$ 18,500,000	—	(18,500,000)	—
Buildings and improvements	20,805,516	76,947	(19,720,562)	1,161,901
Equipment	27,721,614	176,586	(9,752,319)	18,145,881
	<u>67,027,130</u>	<u>253,533</u>	<u>(47,972,881)</u>	<u>19,307,782</u>
Less accumulated depreciation:				
Buildings and Improvements	(1,217,583)	(375,999)	1,212,941	(380,641)
<u>Asset</u>	<u>As of June 30, 2022</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>As of June 30, 2023</u>
Equipment	\$ (20,408,636)	(1,660,484)	8,878,088	(13,191,032)
Total accumulated depreciation	<u>(21,626,219)</u>	<u>(2,036,483)</u>	<u>10,091,029</u>	<u>(13,571,673)</u>
Total capital assets, net	<u>\$ 45,400,911</u>	<u>(1,782,950)</u>	<u>(37,881,852)</u>	5,736,109
Lease assets, net (Note 5)				<u>12,165,720</u>
Total capital assets, net as reported in the statement of net position (deficit)				<u>\$ 17,901,829</u>

During the year, the main campus building occupied by UMG and located in Irvine was sold. This transaction removed the building and land assets totaling \$37,000,000 from the capital assets balance. Proceeds from the sale were \$43.6M, of which Chapman applied first towards the UMG building loan payable totaling \$37,000,000. Chapman additionally applied \$3.1M of the additional proceeds towards the working capital loan for the payments due September 30 and December 31, 2022, respectively.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(4) Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses at June 30, 2023 consists of the following:

	<b>June 30, 2023</b>
Accounts payable	\$ 64,386
Accrued salaries and wages	2,088,090
Accrued interest payable	124,763
Other liabilities	691,212
	\$ 2,968,451

Other liabilities includes revenue share accruals and executive payouts.

**(5) Leases (Lessee)**

**(a) Lease Assets**

A summary of right of use asset activity during the year ended June 30 is as follows:

	<b>As of June 30, 2022</b>	<b>Additions</b>	<b>Remeasurements/ terminations</b>	<b>As of June 30, 2023</b>
Lease assets:				
Real estate	\$ 6,946,593	1,342,187	(473,490)	7,815,290
Equipment	113,822	190,410	(59,824)	244,408
Subscriptions	8,924,979	2,752,198	—	11,677,177
Total lease assets	15,985,394	4,284,795	(533,314)	19,736,875
Less accumulated amortization:				
Real estate	(2,218,120)	(2,554,101)	—	(4,772,221)
Equipment	(46,255)	(42,254)	—	(88,509)
Subscriptions	—	(2,710,425)	—	(2,710,425)
Total accumulated amortization	(2,264,375)	(5,306,780)	—	(7,571,155)
Total lease assets, net	\$ 13,721,019	(1,021,985)	(533,314)	12,165,720

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(b) Lease Liabilities**

A summary of change in the related lease liabilities during the year ended June 30, 2023, is as follows:

	<u>June 30,</u> <u>2022</u>	<u>Additions</u>	<u>Remeasurements</u>	<u>Deductions</u>	<u>June 30,</u> <u>2023</u>	<u>Due in</u> <u>one year</u>
Lease liabilities:						
Real estate	\$ 5,607,650	1,342,187	(508,886)	(2,830,960)	3,609,991	2,227,911
Equipment	63,237	190,410	(59,826)	(40,210)	153,611	36,728
Subscriptions	8,393,702	2,752,198	—	(3,063,392)	8,082,508	2,940,156
Total lease liabilities	<u>\$ 14,064,589</u>	<u>4,284,795</u>	<u>(568,712)</u>	<u>(5,934,562)</u>	<u>11,846,110</u>	<u>5,204,795</u>

Future annual lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 5,204,795	250,337	5,455,132
2025	3,949,006	136,202	4,085,208
2026	1,888,665	56,796	1,945,461
2027	390,238	16,062	406,300
2028	413,406	34,157	447,563
Total	<u>\$ 11,846,110</u>	<u>493,554</u>	<u>12,339,664</u>

For the year ended June 30, 2023, the University recognized \$299,636 of interest expense and \$5,306,780 of amortization of the lease asset related to its lessee operating leases, which is included in depreciation and amortization expenses in the accompanying financial statements.



**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(6) Long-Term Debt Obligations**

**(a) Notes Payable**

Long-term debt consists of three note payables. The associated interest rate and maturity at June 30, 2023 are as follows:

Debt	Original borrowing	Maturity date	Interest rate	As of June 30, 2022	Additions	Reductions	As of June 30, 2023
Chapman University – working capital	\$ 21,100,000	2025	2.20 %	\$ 21,100,000	—	(5,000,000)	16,100,000
Chapman University – building	37,000,000	2027	2.20	37,000,000	—	(37,000,000)	—
Chapman University – change in control	96,000,000	2031	—	96,000,000	—	—	96,000,000
Total long-term debt				<u>\$ 154,100,000</u>	<u>—</u>	<u>(42,000,000)</u>	112,100,000
Imputed discount on 0% note at 2.2% per annum							<u>(11,475,715)</u>
Total long-term debt, net							<u>\$ 100,624,285</u>

Notes payable at June 30, 2023, are due as follows:

Fiscal year ending June 30:	Principal	Interest	Total
2024	\$ —	354,200	354,200
2025	6,100,000	303,875	6,403,875
2026	10,000,000	137,500	10,137,500
2027	12,000,000	—	12,000,000
2028	21,000,000	—	21,000,000
2029 – 2031	63,000,000	—	63,000,000
Total	<u>\$ 112,100,000</u>	<u>795,575</u>	<u>112,895,575</u>

The \$96,000,000 note payable between UMG and Chapman University does not have a stated interest rate. As a result, the University has imputed an interest rate, which resulted in a discount of \$14,814,027, to be amortized over the life of the note payable. As of June 30, 2023, this amount totals \$11,475,715. The University of Massachusetts has guaranteed the debt and interest payments for each of the notes payable in the event that UMG is unable to make those payments.

Interest expense related to debt was \$2,260,513 for the year ended June 30, 2023.

**UNIVERSITY OF MASSACHUSETTS GLOBAL**  
(formerly Brandman University)

Notes to Financial Statements

June 30, 2023

**(7) Contingencies**

The University is subject to certain loss contingencies, such as litigation, arising in the normal conduct of its educational activities. In the opinion of management, the liability, if any, for such contingencies will not have a material effect on the University's financial position.

**(8) Retirement Plan**

The University has a defined contribution retirement plan. Employees working at least 20 hours a week are eligible to participate in the plan after 90 days of employment. The University contributes 3% of each employee's eligible annual salary, as defined by the plan. Eligible employees may contribute up to 6% of their eligible salary and the University matches their contributions. The University's total contribution to the plan was \$3,104,753 for the year ended June 30, 2023.

**(9) Operating Expenses and Interest**

Expenses by natural and functional classification for the year ended June 30, 2023, were as follows:

	Functional expenses by natural classification				2023 Total
	Compensation and benefits	Supplies and services	Depreciation and amortization	Interest	
Instruction	\$ 27,481,579	2,482,403	—	—	29,963,982
Academic support	8,700,572	2,706,538	—	—	11,407,110
Student services	22,572,020	28,917,940	—	—	51,489,960
Institutional support	16,198,502	4,196,887	—	—	20,395,389
Depreciation and amortization	—	—	7,343,261	—	7,343,261
Total operating expenses	74,952,673	38,303,768	7,343,261	—	120,599,702
Interest on indebtedness	—	—	—	2,560,149	2,560,149
	\$ 74,952,673	38,303,768	7,343,261	2,560,149	123,159,851

Certain categories of expenses that are attributable to more than one program or supporting function are allocated based on various methods. Specifically, information technology costs are allocated based on software usage and the overall employees in the various functional categories. All other costs are charged directly to the appropriate functional category.

**(10) Related Parties**

On September 1, 2021, the University entered into three separate notes payable with Chapman University with original amounts of \$21,100,000, \$37,000,000, and \$96,000,000. Outstanding notes payable totaled \$112,100,000 as of June 30, 2023.