

Pepperdine University (USA)
Annual Report and Financial Statements
For the year ended 31 July 2025

Presented in U.S. Dollars

Company no: 02635340
Charity no: 1004140

Annual report
For the year ended 31 July 2025
Financial statements presented in U.S. Dollars

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PEPPERDINE UNIVERSITY (USA)

Directors and advisers

Directors (throughout the year and to date of signing)

James A. Gash, Chairman
Marc P. Goodman, 1st Vice Chairman
Jay Brewster
Ronald Cox

Secretary and registered office

Ronald Cox
56 Princes Gate
LONDON
SW7 2PG

Key management personnel

Heather Pardee, Resident Director, London Programme
Jennifer Ryan, Associate Director, London Programme
Victoria Schwartz, Faculty Director, London Graduate Programme

Principal banker

JP Morgan Chase Bank, N.A.
London Branch
25 Bank Street
LONDON
E14 5JP

Independent Auditor

Forvis Mazars LLP
Assembly Building C
Cheese Lane
BRISTOL
BS2 0JJ

Solicitor

Eversheds Sutherland
One Wood Street
LONDON
EC2V 7WS

PEPPERDINE UNIVERSITY (USA)

Pepperdine University (USA), (which shall be referred to in this document as “Pepperdine USA” or “the charitable company”) is a registered charity (charity registration number 1004140) and a company limited by guarantee without share capital (company registration number 02635340). It is governed by a Memorandum and Articles of Association. It is registered with the Charity Commission under the Charities Act 2011.

The board of directors have pleasure in submitting the charitable company’s annual report and audited financial statements for the year ended 31 July 2025. The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom, the Statement of Recommended Practice (SORP) “Accounting and Reporting by Charities” and Financial Reporting Standard (FRS) 102, together with the reporting requirements of the Companies Act 2006 and the Charities Act 2011.

STRUCTURE, GOVERNANCE, AND MANAGEMENT

The Board is a self-appointing body. The panel, comprised of existing directors, selects new members of the board of directors. Applications for directorship are sought by recommendation of the existing directors. Elected directors serve for a staggered three-year term. New members are inducted and provided with an orientation. The board of directors meets at least annually to review the charitable company’s strategy, performance, and to set the operating plans and budgets.

The directors have delegated management of the charitable activities to the resident directors of the London programme who supervise day-to-day operations. The directors review the pay of the resident directors and oversee the pay recommendations with regard to pay scales, guidance, and advice based upon the responsibilities held at the time of review. The review takes place annually or if triggered by a change in personnel or responsibilities.

Pepperdine University in Malibu, California, is the parent company and has the power to appoint and remove the majority of the directors, if necessary.

Principal Activities

Pepperdine USA is supported by Pepperdine University so as to allow American students a continuation of their university education as well as an international cultural experience. Contributions are made from Pepperdine University as needed to fund each academic year.

Pepperdine University is an independent private Christian university committed to the highest standards of academic excellence and Christian values, where students are strengthened for lives of purpose, service, and leadership.

OBJECTIVES AND ACTIVITIES

Charitable Objectives

The charitable company’s main objective is to carry out the London-based activities of Pepperdine University, which include teaching regular academic subjects and offering periodic field trips. As a public benefit entity, Pepperdine USA seeks to enable students to undertake a period of study in England to enhance their understanding of the English history and culture, and to take advantage of

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London's unique cultural, historical, and educational offerings. Pepperdine USA is enriching the students' overall academic experience by affording them an opportunity to experience a more global perspective. This perspective helps to create an environment of international and intercultural understanding and cooperation. Additionally, these objectives enable Pepperdine USA to serve Pepperdine University's broader vision as a religiously-affiliated institution of higher education.

In setting Pepperdine USA's aims, directors have reviewed and given careful consideration to the Charity Commission for England and Wales' general guidance on public benefit, and specifically to the sub-sector guidance provided in "The Advancement of Education for the Public Benefit." Directors pay particular attention to ensuring that Pepperdine USA's programmes and services are available to all members of the public through funding and marketing of financial aid.

Objectives for the Year

The main objective is to offer to Pepperdine University students a variety of academic classes and field trips for educational enrichment and growth. By being located in one of the most important cultural and commercial centres of the world, the objective is to provide students with the opportunity to study the literature, history, culture, and institutions that make up the foundations of civilization. An additional objective is to help students develop global awareness and facilitate the understanding of different cultures, specifically the English culture.

Strategies to Achieve Objectives

The programme in London allows access to unmatched global resources. Visits to museums, art galleries, libraries, Parliament, and other historical and cultural sites are integral to the students' studies. Students enrolled in these programmes complete their course requirements in a manner that provides unique opportunities for academic, personal, and spiritual development. The strategy for the charitable company in achieving this objective is to provide regular academic subjects taught by American and British lecturers and tutors. In addition, periodic field trips for the cultural education of the students to theatre performances, and various locations (such as Hampton Court Palace, Royal Court Theatre, Hamstead Theatre, Westminster Abbey, Salisbury Cathedral, Stonehenge, The London Eye, Hyde Park, and Windsor and Runnymede) are arranged, along with the provision of the necessary accommodations and ancillary services.

ACHIEVEMENTS AND PERFORMANCE

Pepperdine USA provides classes in general education as well as various classes of special interest. This past academic year, programmes were offered in literature, law, fine arts, history, humanities, religion, Arabic, economics, statistics, as well as sports administration, to 153 students (2024: 163). In addition to academic programmes, there were field trips to Belgium and The Netherlands for the graduate students. Undergraduate students visited Greece and Turkey.

FINANCIAL AID

Pepperdine University awards considerable financial aid to the students in the form of scholarships and grants. Many of these awards are made available by the allocation of University general funds, as well as the generosity of donors by means of endowed funds and alumni contributions. Financial aid, in the form

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of scholarships and grants, is based on full-time enrollment, financial need, academic merit, and personal achievement. Scholarships and grants are considered a component of the student's financial aid award and cannot exceed the cost of attendance. If a student is awarded a scholarship, which exceeds the cost of attendance, the financial aid package will be adjusted accordingly. During the year financial aid was awarded to 135 students (2024: 117), totaling \$2,266,225 (2024: \$2,378,734).

Most students pursuing studies at Pepperdine USA are students of Pepperdine University in Malibu, California. Tuition and room and board charges are paid at Pepperdine University. Tuition rates for Pepperdine USA are the same that are charged for attending Pepperdine University. These revenues are then credited to Pepperdine USA's financial statements for all attendees of the programme. Pepperdine University awards all financial assistance made to students, and the awards are shown in the charitable company's financial statements as student aid expense in the period corresponding to the related tuition revenue.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

The statement of financial activities for the year is set out on page 12.

The charitable company had positive net movement in funds for the year ended 31 July 2025 of \$3,453 (2024: -\$14,677). The increase in net movement in funds was due to an increase in donations income and a decrease in expenditures for financial aid.

The charitable company had \$25,928 in restricted funds (2024: \$18,293), and \$99,587 in unrestricted funds (2024: \$103,769).

The directors' plan for future operations is to continue to send students to study at Pepperdine USA so that students will be able to experience academic rigor, personal growth, and find a path to become globally-minded citizens.

RISKS FACING PEPPERDINE USA

The directors have assessed business risks and implemented appropriate risk management. This involves identifying the types of risks the charitable company faces, prioritizing them in terms of potential impact and likelihood of occurrence, and identifying means of mitigating the risks. As part of this process the directors have reviewed the adequacy of the charitable company's current internal controls.

The charitable company's systems of internal control are designed to provide reasonable, but not absolute assurance against material misstatement or loss. They include:

- a strategic plan and an annual budget approved by the directors to mitigate the risk of ineffective and inefficient operations,
- consideration by the directors of financial results, variance from budgets, non-financial performance indicators, and benchmarking reviews to mitigate the risk of unauthorized or improperly recorded financial transactions,

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- delegation of authority and segregation of duties to mitigate the risk of overriding internal controls or misappropriating assets, and
- identification and management of risks.

The directors consider that Pepperdine USA is not exposed to any significant financial risk since it is fully supported by Pepperdine University, which has historically maintained a high credit rating of Aa3 with Moody's Investors Service. All financial assets are held as cash in bank and the charitable company has no long-term debt and a minimal amount owing to external creditors. The charitable company is exposed to foreign currency fluctuations as cash is denominated in Pounds Sterling, and some expenditure is incurred in Pounds Sterling whilst statements are translated into U.S. Dollars. Any gain or loss is offset by contributions from the supporting organization, Pepperdine University.

There were no conditions or events regarding Pepperdine USA's ability to continue as a going concern that need to be disclosed in these financial statements.

RESERVES POLICY

The charitable company relies upon tuition and fees collected from students, donations, and the support of Pepperdine University to meet its funding requirements and it does not have a specific level of reserves that the directors have agreed to maintain. Funds sufficient to meet the operating needs of the company are transferred at the start of each term, and supplemental funds are sent on an as-needed basis throughout the year. In the event of a deficit in the unrestricted funds, Pepperdine University, which has sufficient funds, will provide the needed support to Pepperdine USA. Pepperdine University provides a letter of financial support to Pepperdine USA. The directors review this policy on an annual basis to ensure this methodology is appropriate to ensure on-going operation of the charity.

As at the year end, the free reserves (those not tied up in fixed assets) in unrestricted funds were \$99,587 (2024: \$103,769). Free reserves are necessary as they enable the charity to fulfil its objectives.

PRINCIPAL FUNDING SOURCES

Pepperdine USA is funded by tuition and programme fees collected from the students, donations from donors, and support from Pepperdine University.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees, who are also directors of Pepperdine University (USA) for the purposes of company law, are responsible for preparing the Trustees' Annual Report (the "Director's Report") and the financial statements in accordance with applicable law and regulations.

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Company law requires the trustees to prepare financial statements for each financial year. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charitable company and of the outgoing resources and application of resources, including the income and expenditure of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Statement of Recommended Practice: Accounting and Reporting by Charities;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards (FRS 102) have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the trustees have taken all the steps that they ought to have taken as a trustee in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

MEMBERS

The liability of each of the members in the event of a winding up is limited to £1 for the payment of debts and liabilities of the charitable company contracted before he/she ceases to be a member, or within one year thereafter. At 31 July 2025 there were four guarantors in the register of members (2024: four).

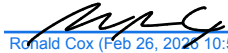
INDEPENDENT AUDITORS

A resolution to appoint the auditors, Forvis Mazars LLP, will be proposed at the annual general meeting.

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The Directors' Report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies which gives exemption from preparing the full Directors' Report. The exemption has been taken to not prepare a Strategic Report as Pepperdine University (USA) is a small company.

By order of the board



Ronald Cox (Feb 26, 2026 10:54:14 PST)

Ronald Cox

Secretary

26 February 2026

PEPPERDINE UNIVERSITY (USA)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEPPERDINE UNIVERSITY (USA)

Opinion

We have audited the financial statements of Pepperdine University (USA) (the 'charity') for the year ended 31 July 2025 which comprise the Statement of Financial Activities (incorporating the income and expenditure account), Balance Sheet, Statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 July 2025 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

PEPPERDINE UNIVERSITY (USA)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEPPERDINE UNIVERSITY (USA)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Annual Report which includes the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report included within the Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the charity and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report included within the Annual Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Trustees' report and from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the trustees' responsibilities statement set out on page 5 and 6, the trustees (who are also the directors of the charitable company for the purposes of charity law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEPPERDINE UNIVERSITY (USA)

concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the charity and its activities, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Companies Act 2006, Charities Act 2011, the Charities Statement of Recommended Practice, UK tax legislation, anti-money laundering regulation.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of management and, where appropriate, those charged with governance, as to whether the charity is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the charity which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as tax legislation, pension legislation, the Charities' SORP, the Charities Act 2011 and the Companies Act 2006.

In addition, we evaluated the trustees' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to revenue recognition (which we pinpointed to the cut-off assertion), use of restricted funds, and significant one-off or unusual transactions.

PEPPERDINE UNIVERSITY (USA)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PEPPERDINE UNIVERSITY (USA)

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit report

This report is made solely to the charity's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body for our audit work, for this report, or for the opinions we have formed.



Helen Knowles (Mar 2, 2026 13:31:22 GMT)

Helen Knowles (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
Floor 8, Assembly Building C, Cheese Lane, Bristol, BS2 0JJ

Date **02/03/2026**

PEPPERDINE UNIVERSITY (USA)

Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 July 2025

	Note	Unrestricted Funds \$	Restricted Funds \$	2025 \$	Unrestricted Funds \$	Restricted Funds \$	2024 \$
Income from:	3						
Donations and legacies		39,200	-	39,200	9,495	-	9,495
Charitable activities		5,226,196	-	5,226,196	5,192,301	-	5,192,301
Other trading activities		1,020,679	-	1,020,679	1,039,824	-	1,039,824
Other income		27,502	12,086	39,588	112,161	11,768	123,929
Total		6,313,577	12,086	6,325,663	6,353,781	11,768	6,365,549
Expenditure on:							
Charitable activities	4	(6,298,145)	(4,451)	(6,302,596)	(6,323,732)	(15,253)	(6,338,625)
Other expenditures	4	(21,052)	-	(21,052)	-	-	-
Total		(6,319,197)	(4,451)	(6,323,648)	(6,323,732)	(15,253)	(6,338,625)
Net income/(expenditure)		(5,620)	7,635	2,015	30,409	(3,485)	26,924
Transfer between funds	15	-	-	-	-	-	-
Gains/(losses) on currency translation		1,438	-	1,438	(41,601)	-	(41,601)
Net movement in funds	6	(4,182)	7,635	3,453	(11,192)	(3,485)	(14,677)
Reconciliation of funds:							
Total funds brought forward at 1 Aug		103,769	18,293	122,062	114,961	21,778	136,739
Total funds carried forward at 31 Jul		99,587	25,928	125,515	103,769	18,293	122,062

The charitable company has no recognized gains or losses, other than as presented above, and therefore no separate statement of total recognized gains and losses has been presented.

All the charitable company's activities are continuing.

The notes on pages 15 to 26 form part of these financial statements

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Registered no: 02635340

Balance sheet as of 31 July 2025

	Note	2025 \$	2024 \$
Fixed assets			
Tangible assets	9	-	-
Total fixed assets		-	-
Current assets			
Debtors	10	107,731	76,598
Cash at bank and in hand	11	135,727	188,451
Total current assets		243,458	265,049
Liabilities			
Creditors: amounts falling due within one year	12	(117,943)	(142,987)
Net current assets		125,515	122,062
Total assets less current liabilities		125,515	122,062
Total net assets		125,515	122,062
The funds of the charity:	15		
Restricted income funds		25,928	18,293
Unrestricted income funds		99,587	103,769
Total charity funds		125,515	122,062

The financial statements were approved by the board of directors on 26 February 2026, and were signed on its behalf by

James Gash

James Gash (Feb 26, 2026 11:01:04 PST)

Director, James A. Gash

The notes on pages 15 to 26 form part of these financial statements

PEPPERDINE UNIVERSITY (USA)

Statement of cash flows for the year ended 31 July 2025 and 2024

	Note	2025 \$	2024 \$
Net cash inflow/(outflow) from operating activities	19	<u>(64,810)</u>	<u>72,006</u>
Investing activities		-	-
Interest received		12,086	11,768
Purchase of new long-term assets		<u>-</u>	<u>-</u>
Net cash inflow from investing activities		12,086	11,768
Increase in cash and cash equivalents		(52,724)	83,774
Cash or cash equivalents brought forward at 1 Aug		188,451	104,677
Cash or cash equivalents carried forward at 31 Jul		<u>135,727</u>	<u>188,451</u>

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

1 General Information

Pepperdine USA is a charitable company limited by guarantee in England & Wales, registered number 02635340 and charity number 1004140. Its registered office is 56 Princes Gate, London, SW7 2PG. The financial statements are presented in U.S. Dollars (\$), which is the functional currency of the company, and are rounded to the nearest dollar.

2 Principal Accounting Policies

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" and the Financial Reporting Standard (FRS) 102, together with the reporting requirements of the Companies Act 2006 and the Charities Act 2011.

The charitable company does not seek to make a profit, nor can its results be measured by normal commercial criteria. In order that a true and fair view should be given in these financial statements, the directors have set out on page 12 the statement of financial activities, which shows the results for the year. In the opinion of the directors, the format adopted provides clarity on the nature of the charitable company's activities and discloses the required information relating thereto. The charitable company has availed itself of provisions under the Companies Act 2006 and has adapted the Companies Act and requirements of the SORP formats to reflect the special nature of the charitable company's activities. The charitable company is a public benefit entity.

The major accounting policies adopted by the directors are set out below and have been applied consistently throughout the year and in the preceding year:

Key Estimates and Judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities, and revenues and expenses for the periods presented. Items which could be materially affected by such estimates include receivables and accrued liabilities.

Charitable expenditure includes the direct costs of providing the academic programme in London and the support costs of supporting that programme. Direct costs include London-based academic and consulting faculty salaries and benefits, student accommodation, student and faculty travel, student aid and 80% of the costs of the London campus. Support costs include London-based support staff salaries and benefits, 97% of allocated academic support, 20% of the costs of the London campus and all other costs that are not governance. The salary and benefits cost of the London directors and assistant directors are allocated based on time spent teaching or working directly with students.

Income

- Donations and legacies are credited to the statement of financial activities as they are receivable. Gift donation revenue is recognized when there is evidence of entitlement to the gift, receipt is probable, and its amount can be measured reliably.

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

2 Principal Accounting Policies

- Charitable activities are credited to the statement of financial activities on a straight-line basis based upon enrollment at the beginning of the term.
- Other trading activities are credited to the statement of financial activities as sales are made.
- Other income includes payout earnings from quasi-endowments, which are designated to Pepperdine USA, but the quasi-endowment principals are held by Pepperdine University. Other income can also include parent support, which is provided to cover deficits.
- Endowment expendable income is credited to the statement of financial activities as other income upon receipt.

Expenditure

Student aid and operational expenses are charged as they fall due on an accrual basis. Expenditures made in the UK include irrecoverable UK VAT charged to the category to which it relates.

Governance costs include audit fees, and a percentage of the overhead costs incurred by the parent company and allocated to Pepperdine USA. These overhead costs include services for students attending Pepperdine USA, preparing the year-end financial statements and reports, filing statutory reports, and organizing board meetings. They are based on estimated time spent by parent company staff in the offices of Finance, International Programs, and General Counsel.

Financial Assets

Financial assets consist of cash, debtors, and prepaid expenses. The charitable company recognizes a financial asset when it gains a contractual right to the asset. The exception is when the financial asset is consideration from students for services provided. In this case the financial asset is recognized when the revenue recognition criteria are met. A financial asset is removed from the statement of financial activities when the charitable company no longer has a contractual right to the asset, or when the asset is transferred to another party. Financial assets are classified as basic financial instruments and on initial recognition are measured at fair value. Subsequent to initial recognition the financial assets are measured at amortized cost.

Financial Liabilities

Financial liabilities consist of accrued expenses. The charitable company recognizes a financial liability when it becomes a party to the contractual provisions of the financial instrument. The exception is any liability related to the purchase of goods or services in the normal course of business. In this case the financial liability is recognized when, and to the extent that, the goods and services are provided. A financial liability is removed from the statement of financial position when it is extinguished, i.e. when the obligation in the contract is paid, is cancelled, or expires. Financial liabilities are classified as basic financial instruments and on initial recognition are measured at fair value. Subsequent to initial recognition the financial liabilities are measured at amortized cost.

Financial instruments

The charitable company only has financial assets and financial liabilities of a kind that qualify as basic

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

2 Principal accounting policies

financial instruments. Basic financial instruments are initially recognized at transaction value and subsequently measured at their settlement value with the exception of bank loans, which are subsequently measured at amortized cost using the effective interest method.

Tangible Assets

Tangible assets are stated at their purchase price together with any incidental expenses of acquisition less accumulated depreciation. They are for direct use by the charitable company. The charitable company reviews its tangible assets at each reporting date to determine if there has been any impairment.

Provision for depreciation is made so as to write off the cost of fixed assets over the expected useful economic lives of the assets concerned, or down to their expected scrap value. Depreciation on new assets starts in the fiscal year following the fiscal year the asset was purchased. The following depreciation methods and periods are used:

	Method	Period
Computer Hardware	straight line	2 years
Furniture, fixtures, and fittings	straight line	10-15 years

Funds Structure

Unrestricted funds comprise those funds that directors use in furtherance of the charitable objectives.

Restricted funds and expendable portions of endowments comprise funds that are to be used in accordance with specific restriction imposed by the donor.

Foreign Currencies

Transactions that are denominated in Pounds Sterling are translated into U.S. Dollars at the prevailing rate at the time of the transaction. Foreign exchange gains and losses are included in the statement of financial activities for the period in which they were incurred. Balances in Pounds Sterling are translated into U.S. Dollars at the rate of exchange prevailing at the balance sheet date.

Operating Leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Going Concern

The financial statements have been prepared on a going concern basis, which is due to the continued support committed by Pepperdine University. Pepperdine University has committed to provide students with a continuation of the UK educational programme and has issued to Pepperdine USA a letter of financial support in this respect.

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

2 Principal accounting policies

Pension Costs

Pension costs for the London employees who participate in a defined contribution plan sponsored by Pepperdine University or other UK pension plans are recorded in the period the contributions accrue. The contributions are non-refundable and fully vested. The pension expense and liability are allocated to unrestricted funds.

3 Income

		2025 \$	2024 \$
Unrestricted			
Donations and legacies	Gift donations	39,200	9,495
	Tuition	4,878,055	4,864,927
	Class fees	348,141	327,374
Charitable activities		<u>5,226,196</u>	<u>5,192,301</u>
	Room and board	1,006,838	1,028,350
	Textbook sales	6,468	7,525
	Telephone and laundry	7,373	3,949
Other trading activities		<u>1,020,679</u>	<u>1,039,824</u>
	Miscellaneous income	27,502	112,161
Other income		<u>27,502</u>	<u>112,161</u>
		<u>6,313,577</u>	<u>6,353,781</u>
Restricted			
Donations and legacies	Gift donations	-	0
Other income	Quasi-endowment income	12,086	11,768
		<u>12,086</u>	<u>11,768</u>

4 Expenditures

	2025 \$	2024 \$
Direct staff costs	439,760	321,001
Other direct costs	3,092,054	3,170,880
Apportioned support costs	2,791,834	2,846,744
	<u>6,323,648</u>	<u>6,338,625</u>

PEPPERDINE UNIVERSITY (USA)
Notes to the financial statements
For the year ended 31 July 2025

4 Expenditures

	2025	2024
	\$	\$
Activities undertaken directly		
Student aid *	2,266,225	2,378,734
Salaries and personnel benefits	439,760	321,001
Travel	339,492	358,876
Student meals/subsistence	286,255	271,200
Consulting faculty and speakers/outside services	91,621	56,104
Utilities	50,587	41,775
Maintenance	44,983	54,052
Premises and equipment rental	10,564	4,965
Textbooks and educational materials	2,327	5,174
	<u>3,531,814</u>	<u>3,491,881</u>

*Refer to pages 3 and 4 under Financial Aid for additional information

	2025	2024
	\$	\$
Support costs charitable expenditures		
Allocated academic support	1,907,786	1,809,221
Salaries and personnel benefits	625,122	781,745
Governance costs	88,137	83,043
Equipment	38,175	33,221
Supplies, postage, and office costs	37,269	29,804
Travel & faculty/staff development	32,875	61,197
Parent contribution	21,052	-
Utilities	12,647	10,444
Maintenance	11,245	13,513
Outside services	10,380	7,876
Property tax	3,725	10,297
Premise and equipment rental	2,012	1,242
Advertising/promotional	1,422	-
Depreciation	-	2,258
Insurance	-	21
Bank charges	(13)	2,862
	<u>2,791,834</u>	<u>2,846,744</u>

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

5 Governance Costs

	2025	2024
	\$	\$
Allocated academic support	59,004	55,955
Auditors' remuneration	29,133	27,088
	<u>88,137</u>	<u>83,043</u>

6 Net Movement in Funds

Net movement in funds is stated after charging:

	2025	2024
	\$	\$
Depreciation	-	2,258
Auditors' remuneration	29,133	27,088
Operating leases	3,842	3,654

7 Employee Information

The directors of the charitable company received no remuneration or reimbursement of expenses during the year (2024: nil). The resident undergraduate and visiting graduate programme directors are the key management personnel for the charity.

Pepperdine University acquires indemnity insurance for all its directors including those in Pepperdine USA. Pepperdine University is unable to reliably apportion the costs relating to the UK.

Total employment costs were:

	2025	2024
	\$	\$
Wages and salaries	859,278	891,396
Social security costs	89,139	83,739
Employee benefits	91,591	101,388
Other pension costs	24,874	26,223
	<u>1,064,882</u>	<u>1,102,746</u>

Employee benefits include charges for life insurance and medical insurance that are provided centrally by Pepperdine University and are calculated as a percentage of salary cost.

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

7 Employee Information

Monthly average number of employees in the year:

	2025	2024
	Number	Number
Faculty	7.50	8.00
Administrative	5.75	5.75
	13.25	13.75

The number of employees whose total earnings in the year (including benefits but excluding employer pension contributions) exceeded \$79,000, which is the equivalent of £60,000, are shown in the below table:

	2025	2024
	Number	Number
\$93,001 to \$106,000	1	2
\$119,001 to \$132,000	1	-
\$172,001 to \$185,000	-	1
\$185,001 to \$198,000	1	

The total compensation for the resident undergraduate and visiting graduate programme directors, who are deemed to be key personnel management, was \$294,129 (2024: \$274,863), and \$120,278 (2024: \$95,418) respectively.

Defined contribution pension plan contributions for the resident programme directors were \$32,929 (2024: \$33,611). There were no amounts prepaid or outstanding at year-end (2024: nil).

8 Taxation

Pepperdine USA is a registered charitable company and is therefore exempt from tax on income and gains falling within sections 466 to 489 of the Corporation Tax Act 2010 and section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects. No tax charges have arisen in the charitable company in 2025 (2024: nil).

PEPPERDINE UNIVERSITY (USA)
Notes to the financial statements
For the year ended 31 July 2025

9 Tangible Assets

	Furniture, Fixtures, and Fittings	Computer Hardware (Audio/Visual)	Total
	\$	\$	\$
Cost			
At 1 August 2024	22,582	51,376	73,958
Asset additions in year	-	-	-
At 31 July 2025	22,582	51,376	73,958
Accumulated Depreciation			
At 1 August 2024	22,582	51,376	73,958
Charge for year	-	-	-
At 31 July 2025	22,582	51,376	73,958
Net book value			
At 31 July 2025	-	-	-
At 31 July 2024	-	-	-

10 Debtors

	2025	2024
	\$	\$
Employee advances and other accounts receivable	1,681	965
Prepaid expenses	106,050	75,633
	107,731	76,598

11 Analysis of cash and cash equivalents

	2025	2024
	\$	\$
Cash at bank and in hand	135,727	188,451
	135,737	188,451

PEPPERDINE UNIVERSITY (USA)
Notes to the financial statements
For the year ended 31 July 2025

12 Creditors: amounts falling due within one year

	2025	2024
	\$	\$
Taxation and social security	(16,895)	(16,461)
Accrued accounts payable	(69,486)	(61,201)
Accrued auditors' remuneration	(29,133)	(27,088)
Due to Pepperdine University	(2,429)	(38,237)
	<u>(117,943)</u>	<u>(142,987)</u>

Movement in deferred revenue:

	2025	2024
	\$	\$
Opening balance	-	(26,844)
Tuition and Room & Board income recognized	-	26,844
Tuition and Room & Board income deferred	-	-
Closing balance	<u>-</u>	<u>-</u>

There was no deferred revenue generated in 2025. (2024: nil)

13 Share Capital

The charitable company is limited by guarantee and does not have any share capital. The liability of each of the guarantors in the event of a winding up is £1. At 31 July 2025 there were four guarantors in the register of members (2024: four).

14 Analysis of Assets between Funds

2025	Unrestricted Funds	Restricted Funds	Total Funds
	\$	\$	\$
Tangible fixed assets	-	-	-
Net current assets	99,587	25,928	125,515
	<u>99,587</u>	<u>25,928</u>	<u>125,515</u>

PEPPERDINE UNIVERSITY (USA)
Notes to the financial statements
For the year ended 31 July 2025

14 Analysis of Assets between Funds

2024	Unrestricted Funds \$	Restricted Funds \$	Total Funds \$
Tangible fixed assets	-	-	-
Net current assets	103,769	18,293	122,062
	<u>103,769</u>	<u>18,293</u>	<u>122,062</u>

15 Movement in Funds

2025	Unrestricted Funds \$	Restricted Funds \$	Total Funds \$
Opening balance	103,769	18,293	122,062
Income	6,313,577	12,086	6,325,663
Expenditure	(6,319,197)	(4,451)	(6,323,648)
Transfer between funds	-	-	-
Gain on currency translation	1,438	-	1,438
Closing balance	<u>99,587</u>	<u>25,928</u>	<u>125,515</u>

Restricted funds consist of the following:

Restricted Fund Name	Purpose	Ending Balance \$
London Spiritual Formation quasi-endowment	Student religious development	703
Royal Albert quasi-endowed scholarship	Scholarship to attend London programme	25,225
		<u>25,928</u>

PEPPERDINE UNIVERSITY (USA)

Notes to the financial statements

For the year ended 31 July 2025

16 Operating Equipment Leases

Total future minimum lease payments under non-cancellable operating leases:

	2025	2024
	\$	\$
Expiring within 1 year	3,843	3,654
Expiring during 2 to 5 years	6,402	9,741
Expiring after 5 years	-	-
	<u>10,245</u>	<u>13,395</u>

At 31 July 2025, lease costs of \$3,842 were recognized within the accounts as an expense. (2024: \$3,654).

17 Basic Financial Instruments

Financial Instrument	Measurement	2025	2024
		\$	\$
Cash	Cash held	44,807	41,626
Bank deposit	Cash amount on deposit	90,920	146,825
Debtors	Amount advanced by charity	107,731	76,598
Creditors	Amount advanced to charity	(117,943)	(142,987)
		<u>125,515</u>	<u>122,062</u>

18 Related Party Transactions

Pepperdine University in Malibu, California is the parent company of Pepperdine University (USA) (subsidiary) and maintains a controlling interest. The parent provides financial support to the subsidiary as needed and there is no requirement for the subsidiary to pay back this financial support. The parent also provides a letter of financial support to the subsidiary in the case there is a liquidity shortfall. At 31 July 2025 the parent received \$21,052 from the subsidiary (2024: parent contributed \$106,183 to the subsidiary).

From time to time, directors and key management personnel may make direct contributions to Pepperdine University (USA). Such contributions are not made in exchange for any benefit to the donor. In 2025, there were gift donations totaling \$1,450 contributed to Pepperdine University (USA), \$100 from the Director and Chairman, James A. Gash and \$1,350 by an individual connected to Marc. P. Goodman, Director and 1st Vice Chairman. (2024: nil)

PEPPERDINE UNIVERSITY (USA)
Notes to the financial statements
For the year ended 31 July 2025

19 Reconciliation of net income/(expenditure) to net cash flow from operating activities

	2025	2024
	\$	\$
Net movement in funds	3,453	(14,677)
Less interest received	(12,086)	(11,768)
Depreciation	-	2,258
(Increase)/decrease in debtors	(31,133)	86,516
(Increase)/decrease in creditors	(25,044)	9,677
Net cash inflow/(outflow) from operating activities	<u>(64,810)</u>	<u>72,006</u>

20 Ultimate Controlling Party

The directors consider Pepperdine University, registered in the United States of America, as the ultimate controlling party by virtue of it being the financial guarantor. Copies of the controlling party's financial statements may be obtained from the Chief Financial Officer, Pepperdine University, 24255 Pacific Coast Highway, Malibu, California 90263, United States of America.