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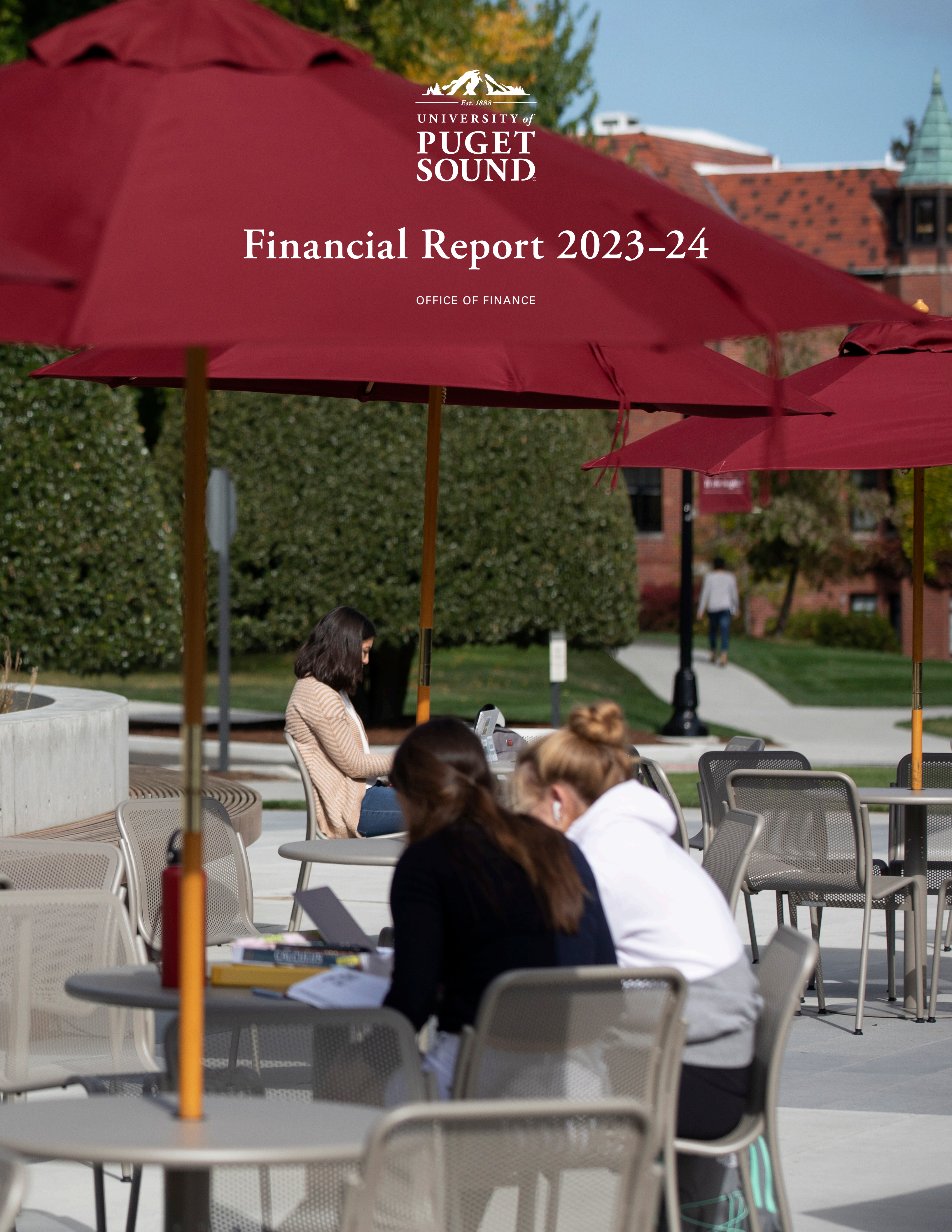
UNIVERSITY of PUGET SOUND

Financial Report 2023–24

OFFICE OF FINANCE



MISSION STATEMENT

University of Puget Sound is an independent, predominantly residential, undergraduate liberal arts college with selected graduate programs building effectively on a liberal arts foundation. The university, as a community of learning, maintains a strong commitment to teaching excellence, scholarly engagement, and fruitful student-faculty interaction.

The mission of the university is to develop in its students capacities for critical analysis, aesthetic appreciation, sound judgment, and apt expression that will sustain a lifetime of intellectual curiosity, active inquiry, and reasoned independence. A Puget Sound education, both academic and cocurricular, encourages a rich knowledge of self and others; an appreciation of commonality and difference; the full, open, and civil discussion of ideas; thoughtful moral discourse; and the integration of learning, preparing the university's graduates to meet the highest tests of democratic citizenship. Such an education seeks to liberate each person's fullest intellectual and human potential to assist in the unfolding of creative and useful lives.

Est. 1888
UNIVERSITY *of*
PUGET SOUND

OFFICE OF FINANCE AND ADMINISTRATION

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UNIVERSITY OF PUGET SOUND | JUNE 30, 2024

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The Board of Trustees
University of Puget Sound

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the University of Puget Sound and subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University of Puget Sound and subsidiary and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidated supplemental schedule of changes in endowment investments, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidated supplemental schedule of changes in endowment investments is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Matter

Report on Summarized Comparative Information
We have previously audited the University's 2023 consolidated financial statements, and our report dated December 6, 2023, expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Moss Adams LLP

Seattle, Washington
November 18, 2024

UNIVERSITY OF PUGET SOUND Consolidated Statements of Financial Position

As of June 30, 2024 (With Comparative Financial Information as of June 30, 2023) (Dollars in Thousands)

	2024	2023
ASSETS:		
Cash and cash equivalents (Note 1)	$ 45,970	$ 41,426
Short-term investments (Note 1)	16,124	23,267
Receivables, net	1,728	1,026
Contributions receivable, net (Notes 1 and 2)	11,768	10,058
Inventories (Note 1)	352	350
Prepaid expenses and other assets	8,132	7,828
Student loans receivable, net (Note 1)	2,704	3,740
Beneficial interest in outside trusts (Note 1)	1,162	1,071
Assets held under split-interest agreements (Note 1)	4,831	4,990
Endowment investments (Notes 1, 3 and 4)	471,468	448,622
Intangibles, net (Notes 1 and 5)	9,256	9,205
Campus facilities, net (Notes 1 and 5)	176,935	180,148
Total assets	$ 750,430	$ 731,731
LIABILITIES AND NET ASSETS:		
Liabilities:		
Accounts payable	$ 2,420	$ 1,730
Accrued payroll and other liabilities (Note 10)	16,831	16,325
Advance deposits from students and deferred revenue (Note 1)	1,712	2,092
Liabilities under split-interest agreements (Note 1)	2,418	2,699
Government advances for student loans (Note 1)	3,471	4,376
Asset retirement obligation (Notes 1 and 5)	2,677	2,447
Interest rate swap agreements (Note 6)	-	2,323
Long-term debt, net (Note 6)	62,786	63,220
Total liabilities	$ 92,315	$ 95,212
Net Assets:		
Net assets without donor restrictions:		
Invested in or designated for campus facilities	116,116	119,506
Endowment (Note 4)	142,886	139,549
Designated for other specific purposes	42,341	43,202
Total net assets without donor restrictions	301,343	302,257
Net assets with donor restrictions (Note 9)	356,772	334,262
Total net assets	658,115	636,519
Total liabilities and net assets	$ 750,430	$ 731,731

The accompanying notes are an integral part of the consolidated financial statements

UNIVERSITY OF PUGET SOUND Consolidated Statements of Activities

For the Year Ended June 30, 2024 (With Summarized Financial Information for the Year Ended June 30, 2023) (Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Totals 2024	Totals 2023
Operating:				
Revenues and gains:				
Student tuition and fees	$ 106,816		$ 106,816	$ 107,689
Less student financial aid	(52,976)		(52,976)	(51,644)
Net tuition and fees	53,840		53,840	56,045
Student room and board	18,345		18,345	17,253
Other auxiliary enterprises	4,009		4,009	3,219
Governmental grants and contracts	130	$ 2,498	2,628	5,663
Contributions	2,258	5,662	7,920	4,583
Endowment income and gains distributed (Note 4)	12,354	13,777	26,131	22,067
Other sources	3,418	186	3,604	2,872
Total operating revenues and gains	94,354	22,123	116,477	111,702
Expenses:				
Educational and general:				
Instruction	42,880		42,880	44,079
Academic support	9,728		9,728	9,898
Student services	19,895		19,895	19,200
Institutional support	17,770		17,770	17,421
Total educational and general expenses	90,273		90,273	90,598
Auxiliary enterprises	22,738		22,738	20,904
Total operating expenses	113,011		113,011	111,502
Net assets released from restrictions	18,966	(18,966)	-	-
Increase (decrease) in net assets from operating activities	309	3,157	3,466	200
Nonoperating:				
Contributions	-	4,815	4,815	11,782
Change in allowance for uncollectible promises (Note 2)	-	(247)	(247)	(119)
Net gains (losses) and income on endowment investments, net of distributions (Note 4)	(85)	15,551	15,466	14,795
Loss on debt and swap extinguishment	(85)	-	(85)	-
Voluntary Separation Benefit	-	-	-	(1,449)
Other adjustments and changes	(2,071)	252	(1,819)	946
Net assets released from restrictions	1,018	(1,018)	-	-
Increase in net assets from nonoperating activities	(1,223)	19,353	18,130	25,955
Increase (decrease) in net assets	(914)	22,510	21,596	26,155
Net assets at beginning of the year	302,257	334,262	636,519	610,364
Net assets at end of the year	$ 301,343	$ 356,772	$ 658,115	$ 636,519

UNIVERSITY OF PUGET SOUND Consolidated Statements of Cash Flows

For the Year Ended June 30, 2024 (With Comparative Financial Information for the Year Ended June 30, 2023) (Dollars in Thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 21,596	$ 26,155
Adjustments to reconcile change in net assets to net cash provided by and (used in) operating activities:		
Depreciation and amortization	9,424	9,645
Contributions restricted for long-term investment	(5,295)	(3,229)
Gifts of investments, property, and outside trusts	(16)	32
(Gains) losses on endowment investments and split-interest agreements	(41,192)	(34,641)
Actuarial adjustments of liabilities under split-interest agreements	78	644
Loss on debt extinguishment	54	-
Amortization of tax-exempt bond premium, discount, and issuance costs	(195)	68
Accretion, settlement, and adjustments to asset retirement obligations	231	94
Unrealized gain on interest rate swap agreements	(2,323)	(1,593)
Changes in:		
Receivables, net	(702)	420
Contributions receivable, net	(1,710)	(8,232)
Inventories, prepaid expenses, and other assets	(312)	(721)
Accounts payable	(436)	(552)
Accrued payroll and other liabilities	506	1,402
Advance deposits from students	(380)	225
Net cash (used in) operating activities	(20,672)	(10,283)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	43,680	37,374
Purchases of investments	(25,175)	(23,067)
Net sales (purchases) of short-term investments	7,159	(2,252)
Purchases of campus facilities and intangibles	(5,135)	(5,082)
Repayments of Perkins loans from students	961	1,039
Net cash provided from investing activities	21,490	8,012
Cash flows from financing activities:		
Contributions restricted for long-term investment	5,295	3,229
Investment (loss)/income subject to split-interest agreements	(71)	180
Payments to split-interest agreement beneficiaries	(382)	(381)
Proceeds from long-term debt	29,689	-
Bonds cost of issuance	(288)	(78)
Repayments of long-term debt	(29,686)	(2,136)
Changes in government advances for student loans	(831)	(1,166)
Net cash provided for (used in) financing activities	3,726	(352)
Net increase (decrease) in cash and cash equivalents	4,544	(2,623)
Cash and cash equivalents at beginning of the year	41,426	44,049
Cash and cash equivalents at end of the year	$ 45,970	$ 41,426
Supplemental cash flow information:		
Interest paid (net of capitalized interest, $0 for both 2024 and 2023)	$ 1,934	$ 1,641
Noncash investing and financing activities:		
Purchases of equipment and building construction on account	$ 1,247	$ 121
Student loan cancellations	$ 75	$ 881

UNIVERSITY OF PUGET SOUND Consolidated Supplemental Schedule of Changes in Endowment Investments

For the Year Ended June 30, 2024 (With Comparative Financial Information for the Year Ended June 30, 2023) (Dollars in Thousands)

The accompanying notes are an integral part of the consolidated financial statements

	2024	2023
Endowment investments, beginning of the year	$ 448,621	$ 427,977
Contributions	4,280	2,949
Transfers and other additions	3,100	2,890
Return on endowment investments	41,598	36,872
Amount distributed for operating activities	(26,131)	(22,067)
Net change in endowment investments	22,847	20,644
Endowment investments, end of the year	$ 471,468	$ 448,621
Total return on pooled endowment	9.16%	8.55%

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

Organization

The University of Puget Sound (the university, Puget Sound), established in 1888, is a nonprofit corporation organized under the laws of the state of Washington. The university is an independent predominantly residential undergraduate liberal arts college with selected graduate programs building effectively on a liberal arts foundation. The university, as a community of learning, maintains a strong commitment to teaching excellence, scholarly engagement, and fruitful student-faculty interaction.

The mission of the university is to develop in its students capacities for critical analysis, aesthetic appreciation, sound judgment, and apt expression that will sustain a lifetime of intellectual curiosity, active inquiry, and reasoned independence. A Puget Sound education, both academic and co-curricular, encourages a rich knowledge of self and others; an appreciation of commonality and difference; the full, open, and civil discussion of ideas; thoughtful moral discourse; and the integration of learning, preparing the university's graduates to meet the highest tests of democratic citizenship. Such an education seeks to liberate each person's fullest intellectual and human potential to assist in the unfolding of creative and useful lives.

Basis of Accounting and Presentation

The accompanying financial statements are the consolidated statements of the university and its wholly owned subsidiary Rainier Heights Holdings, LLC. All material transactions between the university and its consolidated subsidiary have been eliminated.

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). While the underlying accounts of the university are maintained in accordance with the principles of fund accounting to facilitate observance of specific restrictions placed on the resources available to the university, the consolidated financial statements focus on the university as a whole.

The university's activities and net assets are classified in the consolidated financial statements as described below:

Net Assets without Donor Restrictions – resources not subject to donor-imposed restrictions.

Net Assets with Donor Restrictions – resources subject to donor-imposed restrictions (1) that can be expended subject to donor-imposed restrictions as to use or passage of time or (2) that a donor requires the university to retain in perpetuity. Generally, the donor permits the university to use all or a part of the income and appreciation earned on the contributed assets.

The university has defined nonoperating activities to include contributions added to endowment, contributions supporting major capital purchases, contributions and other activity related to split-interest agreements, and changes in the allowance for uncollectible promises. Also included are retirement plan actuarial adjustments, interest rate swap agreement changes in fair value, gains or losses associated with the extinguishment of debt instruments, endowment income, gains, or losses, net of amounts distributed to support operations in accordance with the applicable spending policies. Certain other gains and losses that do not occur in the normal course of operations are also included in nonoperating activity.

The Consolidated Statements of Activities include comparative summarized information for the year ended June 30, 2023. Such information does not include sufficient detail by net asset class to constitute a presentation in conformity with U.S. GAAP. Accordingly such information should be read in conjunction with the university's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Adoptions of Accounting Pronouncement

In June 2016, the Financial Accounting and Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which introduced an expected credit loss methodology for the measurement and recognition of credit losses on most financial assets, including trade accounts receivable. The expected credit loss methodology under ASU 2016-13 is based on historical experience, current conditions, and reasonable and supportable forecasts, and replaces the probable/incurred loss model for measuring and recognizing expected losses under current U.S. GAAP. The ASU also requires disclosure of information regarding how an entity developed its allowance, including changes in the factors that influenced management's estimate of expected credit losses and the reasons for those changes. The ASU was adopted by the University on July 1, 2023, and did not have a significant impact on management's estimate of the allowance for credit losses over accounts receivable.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The university's revenue recognition policies are as follows:

Student Tuition and Fees, net of Financial Aid

The university recognizes revenue from student tuition and fees within the fiscal year in which the educational services are provided. The academic programs are delivered in the fall (mid-August to mid-December) and spring (mid-January to mid-May) semesters, as well as in three summer terms that span from May to August. Payments for tuition are due approximately two weeks prior to the start of the semester, and are recorded as deferred revenue until the performance obligations are met.

The university offers both need-based and merit-based aid. Institutional awards in the form of financial aid scholarships and grants, including those funded by the endowment and gifts, are reported as a reduction to student tuition revenues. Institutional awards to students were $52.9 million and $51.6 million for the years ended June 30, 2024 and 2023, respectively.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

Auxiliary Enterprises

Auxiliary enterprises exist to furnish goods or services to students, faculty and staff. Fees charged for auxiliary goods and services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprise revenue includes student room and board, dining and event services, and the campus bookstore. The revenues are earned and recognized as the goods and services are delivered.

Governmental Grants and Contracts

Revenues from government grants and contracts have been evaluated and are considered non-exchange transactions, as the grantor does not receive a direct benefit for the resources provided to the university. Revenue is not recorded until barriers to entitlement are overcome and other conditions are met, which generally occurs as allowable expenditures are incurred. Governmental grants for which conditions and restrictions are met in the same reporting period are released from restriction and are included within net assets without donor restrictions.

Functional Allocation of Expenses

The costs of various program activities have been summarized on a functional basis in the Consolidated Statements of Activities in accordance with the overall educational mission of the university. The analysis of functional expenses in Note 8 presents the natural classification detail of expenses by function. Costs have been either directly charged to or allocated among programs and the supporting activities. Costs not directly charged are allocated based on square footage, time and effort, or other reasonable basis.

Fundraising Expenses

Fundraising expenses of $3,589 and $3,299 are included in Institutional support in the Consolidated Statements of Activities for the years ended June 30, 2024 and 2023, respectively, and include direct expenses associated with fundraising activities and allocations for depreciation expense, interest on long-term debt, operation and maintenance of campus facilities, and information technology support.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased, except for those held for long-term investment. Cash equivalents totaled $37,567 and $25,025, respectively, at June 30, 2024 and 2023. The university's cash balances exceed federally insured limits at times. The university has not experienced any significant losses on its cash investments.

Contributions Receivable

Unconditional promises (contributions receivable) are recognized at the estimated present value of expected future cash flows, discounted using a risk-adjusted rate. An allowance for uncollectible promises is provided based on management's judgment, including but not limited to factors such as prior giving history, type of contribution, collection risk, and nature of fundraising activity. Conditional promises are recorded when donor stipulations are substantially met. Contributions received, including unconditional promises to give, are recognized as revenues in the period received.

Inventories

Inventories are carried at cost using the average cost method. The cost of inventories is not in excess of net realizable value.

Student Loans Receivable

The university participates in the Federal Perkins revolving loan program. The Federal Perkins loan program expired on September 30, 2017, so no new loans have been disbursed after the close of the 2018 award year. The outstanding loan balance was $2,704 and $3,740 at June 30, 2024 and 2023, respectively. Funds contributed to the program by the Federal government must ultimately be returned to the government, therefore they are classified as liabilities under "Government advances for student loans" in the Consolidated Statements of Financial Position. Outstanding loans cancelled under the program result in a decrease in the liability to the government.

Investments

Investments include short-term investments, endowment investments, investments included in prepaid expenses and other assets, and assets held in split-interest agreements trusteed by the university. Investments are stated at fair value (see Note 3) reported in the context of market conditions as of the valuation date. The university employs procedures to ensure appropriate oversight of its investments. Procedures include ongoing monitoring and review of valuations and assumptions provided by investment managers. Based on the results of these procedures, the university believes that the carrying amounts of these financial instruments are reasonable estimates of the fair value. Perpetual trusts and some charitable remainder trusts are managed by outside trustees and are not subject to the university's investment policies.

For real estate or hard-to-value assets held for investment directly or in trust by the university or its subsidiaries, reported fair value is based on a representative appraisal performed at intervals appropriate to establish current market values, with consideration given to the cost/benefit of the appraisal. Investment transactions are recorded on a trade-date basis and the cost of securities sold is based on their weighted average cost. Interest is accrued as earned, and dividends are recorded on the ex-dividend date.

Risk and Investment Performance

Cash, cash equivalents, and investments are exposed to various risks, which can include interest rate, market, and credit risks. To minimize these risks, the university has a diversified portfolio with a number of investment managers in a variety of asset classes. The university regularly evaluates its investments including their performance. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the Consolidated Statements of Financial Position and Consolidated Statements of Activities can vary substantially from year to year.

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

Beneficial Interest in Outside Trusts

Funds held in trust by others represent resources neither in the possession nor under the control of the university. These trusts are administered by outside trustees, with the university deriving income and/or a residual interest from the assets. When an irrevocable trust is established and the university is notified of its existence and can establish the fair value of the assets of the trust, the university recognizes its beneficial interest in the outside trust as a contribution at fair value. The fair value is measured as the present value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in net assets with donor restriction based on the time or use restrictions placed by the donor upon the university's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as actuarial gains or losses. The discount rates used at June 30, 2024 and June 30, 2023, were 5.60% and 4.20%, respectively.

Amounts held as Trustee or Agent Under Split-Interest Agreements

The university has legal title, either in the university's name or as trustee, to charitable remainder and lead trusts. No significant financial benefit can be realized until the contractual obligations are released. The university also receives contributions for charitable gift annuity contracts. Actuarial methods are used to record these annuities and trusts using discount rates ranging from 1.60% to 9.40%. For charitable gift annuities and charitable remainder trusts, when a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions and the remainder is recorded as a contribution. For charitable lead trusts, when a gift is received, the present value of future expected payments to the university, as lead beneficiary, is recorded as a contribution and the remainder is recorded as a liability to the remainder beneficiaries. Contribution revenue recognized from charitable gift annuities and charitable remainder and lead trusts is classified as an increase in net assets with or without donor restriction, based on the existence or absence of time or use restrictions placed by the donor upon the university's interest in the assets. Annuity and trust assets are reported at fair value. Investment income and gains are credited, and beneficiary payments, direct costs of funds management, and investment losses are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses resulting from changes in fair value and life expectancy.

The university maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' laws. The total amount held in separate reserve funds was $764 as of June 30, 2024, and $697 as of June 30, 2023.

Intangible Assets and Campus Facilities

Intangible assets, including software and software related contracts, electronic library resources, and website development costs, are recorded at cost. Purchased intangible assets with a cost of $5 or more and developed intangible assets with a cost of $100 or more are capitalized. Intangible library resources do not have a capitalization threshold. These assets have finite useful lives and are amortized on a straight-line basis over their estimated useful lives, ranging from four to 20 years.

Campus facilities, including land and improvements, buildings and improvements, equipment, and library resources, are recorded at cost or, if received as a gift, at fair value on the date of donation. Land improvements, buildings, and building improvements with a cost of $25 or more and equipment with a cost of $5 or more, are capitalized. Library resources and collections do not have capitalization thresholds. The university's natural history and other collections are capitalized but not depreciated. Maintenance and repairs are charged to operations when they occur. Expenditures that significantly increase the value, performance, capacity, or service potential or extend the useful lives of campus facilities are capitalized and depreciated. Depreciation is computed on a straight-line basis over estimated useful lives of 15 to 50 years for land improvements, 25 to 75 years for buildings, 20 to 40 years for building improvements, 4 to 10 years for equipment, and 15 years for library resources.

The costs and accumulated depreciation and amortization of assets sold or retired are removed from the accounts, and the related gains and losses are included in the Consolidated Statements of Activities. In the absence of donor-imposed restrictions on the use of assets, gifts of long-lived assets are reported as contributions without donor restrictions.

Asset Retirement Obligations

Asset retirement obligations include legal environmental obligations associated with the retirement of long-lived assets. These liabilities are recorded at fair value when incurred and are capitalized by increasing the carrying amount of the associated long-lived asset. The fair value of each obligation is measured based on the present value of estimated future retirement costs. Asset retirement costs are depreciated on a straight-line basis over the useful life of the associated asset. Subsequent to the initial recognition, period-to-period changes in the carrying amount of the liability are recorded due to the passage of time and revisions to either the timing or amount of the original estimated cash flows. The liability is removed when the related obligation is settled.

Advance Deposits from Students

Payments from students received by the end of the current fiscal year that are for a term in the subsequent fiscal year have been deferred for inclusion in operating revenues without donor restrictions in that subsequent year. Advance deposits at June 30, 2024 and 2023 were $397 and $398, respectively.

Related Parties

The university did not have any material related party transactions for the years ended June 30, 2024 and 2023, respectively.

Federal Income Taxes

The university has been recognized by the Internal Revenue Service as exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) except to the extent of unrelated business taxable income. Donations to the university are generally tax deductible to the donor. The university's wholly-owned subsidiary, Rainier Heights Holdings, LLC, is disregard for federal

June 30, 2024 (Dollars in Thousands)

NOTE 1 - BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *CONTINUED*

income tax purposes, and its activity flows through to the university. The university had no unrecognized tax benefits that would have required an adjustment to its net assets at June 30, 2024 or 2023.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give:

	June 30, 2024	June 30, 2023
Endowment	$ 10,686	$ 11,243
Construction and improvement of campus facilities	51	58
Student financial aid	2,400	40
Other programs and activities, including promises without donor restriction	817	371
	13,954	11,712
Allowance for uncollectable promises	(277)	(129)
Discount to present value	(1,909)	(1,525)
	$ 11,768	$ 10,058

Unconditional promises expected to be collected in:	
Less than one year	$ 3,644
One to five years	10,310
	$ 13,954

Discount rates ranged from 4.52% to 4.71% and 4.99% to 5.37% for June 30, 2024 and June 30, 2023, respectively.

Conditional promises to give totaled $242 and $1,272 at June 30, 2024 and June 30, 2023, respectively. Conditions include meeting a fundraising goal and submissions of research proposals. These promises will be recognized when conditions are substantially met.

NOTE 3 – FAIR VALUE MEASUREMENTS

Fair value measurements are determined based on the assumptions that market participants, in the context of an orderly market, would use in pricing an asset or liability. U.S. GAAP establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in an active market for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – inputs that are unobservable, supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Unobservable inputs reflect an entity's own determination about the assumptions that market participants would use in pricing the asset or liability.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In accordance with Financial Accounting Standards Board (FASB) Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or the equivalent) practical expedient have not been classified in the fair value hierarchy leveling. The fair value amounts presented in the table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position.

June 30, 2024 (Dollars in Thousands)

NOTE 3 – FAIR VALUE MEASUREMENTS, *CONTINUED*

For assets and liabilities reported at fair value, the following table presents the fair value measurements used as of June 30, 2024:

	Totals	Level 1	Level 2	Level 3
Endowment investments:				
Global equity:				
US	$ 266	$ 266	$ -	$ -
International	-	-	-	-
Global equity measured at net asset value	210,449	-	-	-
Global fixed income/credit:				
Mutual funds	274	274	-	-
Balanced fund	754	754	-	-
Global fixed income/credit measured at net asset value	45,797	-	-	-
Absolute return hedge funds:				
Absolute return hedge funds measured at net asset value	38,581	-	-	-
Real assets:				
Real assets measured at net asset value	68,934	-	-	-
Private capital:				
Private capital measured at net asset value	95,244	-	-	-
Cash and other assets:				
Cash and short-term investments	8,878	8,878	-	-
Perpetual trusts	2,279	-	-	2,279
Restricted cash measured at net asset value	12	-	-	-
Total endowment investments	471,468	10,172	-	2,279
Other investments:				
Marketable securities	7,800	7,800	-	-
Municipal/government agency obligations	8,324	-	8,324	-
Real estate	5,873	-	-	5,873
Beneficial interest in outside trusts	1,162	-	-	1,162
Assets held under split interest agreements	4,831	4,315	516	-
Total assets	$ 499,458	$ 22,287	$ 8,840	$ 9,314
Liabilities:				
	$ -	$ -	$ -	$ -
Total liabilities	$ -	$ -	$ -	$ -

	Fair Value	Redemption Restrictions	Redemption Notice	Unfunded Commitments
Investments measured at net asset value:				
Global equity:				
Commingled global equity	$ 146,292	25% quarterly or 100% annually	90 days	$ -
Commingled global equity	63,236	Illiquid		-
Commingled global equity impact	921	25% quarterly or 100% annually		-
	$ 210,449			$ -
Global fixed income/credit:				
Commingled global fixed income	$ 32,036	25% quarterly or 100% annually	90 days	$ -
Commingled global fixed income	13,761	Illiquid		-
	$ 45,797			$ -
Absolute return hedge funds:				
Absolute return hedge funds in liquidation	$ 12	In Liquidation		$ -
Commingled absolute return hedge funds	26,980	25% quarterly or 100% annually	90 days	-
Commingled absolute return hedge funds	11,589	Illiquid		-
	$ 38,581			$ -
Real assets:				
Private energy	$ 20,113	Illiquid		$ 446
Timber	4,131	Illiquid		-
Real estate	425	Illiquid		78
Sustainable real assets	3,776	Illiquid		36,274
Commingled real assets	6,077	25% quarterly or 100% annually	90 days	-
Commingled real assets	34,412	Illiquid		-
	$ 68,934			$ 36,798
Private capital:				
Private capital	$ 28,048	Illiquid		$ 72,106
Commingled private capital	67,196	Illiquid		-
	$ 95,244			$ 72,106
Cash:				
Restricted cash redemptive	$ 10	25% quarterly or 100% annually	90 days	$ -
Restricted cash non-redemptive	2	Illiquid		-
	$ 12			$ -

June 30, 2024 (Dollars in Thousands)

NOTE 3 – FAIR VALUE MEASUREMENTS, *CONTINUED*

For assets and liabilities reported at fair value, the following table presents the fair value measurements used as of June 30, 2023:

	Totals	Level 1	Level 2	Level 3
Endowment investments:				
Global equity:				
US	$ 26,836	$ 26,836	$ -	$ -
International	21,370	21,370	-	-
Global equity measured at net asset value	156,259	-	-	-
Global fixed income/credit:				
Mutual funds	12,815	12,815	-	-
Balanced fund	6,311	6,311	-	-
Global fixed income/credit measured at net asset value	11,388	-	-	-
Absolute return hedge funds:				
Absolute return hedge funds measured at net asset value	52,254	-	-	-
Real assets:				
Real assets measured at net asset value	65,552	-	-	-
Private capital:				
Private capital measured at net asset value	89,176	-	-	-
Cash and other assets:				
Cash and short-term investments	4,094	4,094	-	-
Perpetual trusts	2,175	-	-	2,175
Restricted cash measured at net asset value	392	-	-	-
Total endowment investments	448,622	71,426	-	2,175
Other investments:				
Marketable securities	7,382	7,382	-	-
Municipal/government agency obligations	15,885	-	15,885	-
Real estate	5,876	-	-	5,876
Beneficial interest in outside trusts	1,071	-	-	1,071
Assets held under split interest agreements	4,990	4,280	710	-
Total assets	$ 483,826	$ 83,088	$ 16,595	$ 9,122
Liabilities:				
Interest rate swap agreements	$ 2,323	$ -	$ 2,323	$ -
Total liabilities	$ 2,323	$ -	$ 2,323	$ -

	Fair Value	Redemption Restrictions	Redemption Notice	Unfunded Commitments
Investments measured at net asset value:				
Global equity:				
Commingled global equity	$ 110,211	25% quarterly or 100% annually	90 days	$ -
Commingled global equity	45,262	Illiquid		-
Commingled global equity impact	786	25% quarterly or 100% annually		-
	$ 156,259			$ -
Global fixed income/credit:				
Commingled global fixed income	$ 8,073	25% quarterly or 100% annually	90 days	$ -
Commingled global fixed income	3,315	Illiquid		-
	$ 11,388			$ -
Absolute return hedge funds:				
Absolute return hedge funds in liquidation	$ 66	In Liquidation		$ -
Commingled absolute return hedge funds	36,995	25% quarterly or 100% annually	90 days	-
Commingled absolute return hedge funds	15,193	Illiquid		-
	$ 52,254			$ -
Real assets:				
Private energy	$ 22,435	Illiquid		$ 453
Timber	3,783	Illiquid		-
Real estate	697	Illiquid		78
Sustainable real assets	3,327	Illiquid		2,804
Commingled real assets	6,389	25% quarterly or 100% annually	90 days	-
Commingled real assets	28,921	Illiquid		-
	$ 65,552			$ 3,335
Private capital:				
Private capital	$ 29,150	Illiquid		$ 13,126
Commingled private capital	60,026	Illiquid		-
	$ 89,176			$ 13,126
Cash:				
Restricted cash redemptive	$ 279	25% quarterly or 100% annually	90 days	$ -
Restricted cash non-redemptive	113	Illiquid		-
	$ 392			$ -

June 30, 2024 (Dollars in Thousands)

NOTE 3 – FAIR VALUE MEASUREMENTS, *CONTINUED*

Although the university uses its best judgment in determining the fair value of assets and liabilities, there are inherent limitations in any methodology. Therefore, the values presented herein are not necessarily indicative of the amount the university could realize in a current transaction. Future confirming events could affect the estimates of fair value and could be material to the consolidated financial statements. These events could also affect the amount realized upon liquidation of the investments. Carrying amounts for cash and cash equivalents approximate fair value because of the short maturity of these instruments.

Redemption terms and restrictions and unfunded commitments are presented for investments when manager-reported net asset value (NAV) is used as a practical expedient to estimate fair value. Valuations of underlying assets which comprise the NAV are provided by fund managers and consider observable market-based inputs, observable market data, valuation models, comparable sales, recent known financing transactions, and income streams discounted for risk levels, among other valuation methodologies.

Global equities include marketable US and international securities held in exchange traded funds and commingled multi-manager pools. The investments consist of primarily equity-oriented securities from developed and emerging markets globally. The exchange traded funds are passive strategies designed to closely track specified equity benchmarks. The commingled pools include exposure to passive strategies to closely track specified equity benchmarks and active strategies that attempt to deliver above-market performance. Directional hedged equities generally utilize both long and short positions in corporate securities and derivatives to provide favorable risk-adjusted returns.

Global fixed income investments provide diversification to reduce the overall volatility and generate predictable cash flows that can be used in support of annual spending requirements. Fixed income is diversified across various sub-classes by investment style and strategy.

Absolute return hedge funds utilize strategies designed to generate long-term capital appreciation with low volatility and little correlation with equity and bond markets. Some absolute return funds may invest a small portion of assets in private capital funds or other illiquid vehicles.

Real assets include private investments in real estate, timber, oil, natural gas, and agriculture. The primary purpose of these investments is to provide a potential hedge against inflationary pressures and to achieve overall portfolio diversification. Real asset investments may have low correlations to the traditional equity and fixed income markets and offer attractive long-term risk-adjusted returns.

Private capital funds are not generally available for liquidation by the university and depend on fund managers' decisions about exit timing to provide distributions. In addition, the university has minimal ability to influence the operating decisions affecting these investments. The fair values of private capital funds have been estimated using the most current information available and as applicable, adjusting for cash flows since the valuation date.

Unfunded commitments may be called at any time during the fund investment periods, which currently range from one to 12 years.

The following table presents changes for assets measured at fair value using significant unobservable inputs (Level 3):

	June 30, 2024	June 30, 2023
Balance, beginning of the year	$ 9,122	$ 9,102
Total realized and unrealized gains (losses)	279	326
Purchases	-	-
Issues	-	-
Sales	(181)	(184)
Net transfers	92	(122)
Balance, end of the year	$ 9,314	$ 9,122
Unrealized gains related to Level 3 assets held at the end of the year included in "Net (losses) gains and income on endowment investments, net of distributions" in the Consolidated Statements of Activities	$ 279	$ 326

NOTE 4 – ENDOWMENT INVESTMENTS AND NET ASSETS

At June 30, 2024, the university's endowment consisted of approximately 679 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowments and funds designated by the board of trustees to function as endowments (quasi-endowments). Quasi-endowment funds may be expended at the discretion of the university's board of trustees. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment Investment and Spending Policies

To enable broad diversification and economies of scale, the university's policy is to pool endowment assets for investment purposes to the fullest extent possible as permitted by gift agreements and applicable government regulations. Within the pooled endowment is a fossil fuel free option for donors who want their gifts invested in a portfolio free of companies that own fossil fuel reserves. In the rare cases when a donor has prohibited a gift from being pooled for investment purposes, such endowments (referred to as non-pooled endowments) are separately invested and managed.

June 30, 2024 (Dollars in Thousands)

NOTE 4 – ENDOWMENT INVESTMENTS AND NET ASSETS, *CONTINUED*

The university's endowment supports the educational mission of the university by providing a substantial, sustainable flow of funds for operations in real or inflation-adjusted terms, as adjusted for new additions. The primary investment objective of the pooled endowment is to provide a sustainable maximum level of return that is consistent with prudent risk levels. The specific investment objectives of the general and fossil fuel free pooled endowments are to attain annual total real returns of at least 5% and 3.5%, respectively, over the long-term. Policy dictates that adherence to a sound long-term investment program, which balances short-term spending needs with the preservation of the real (inflation-adjusted) value of assets, is crucial to the endowment's long-term success. Investments are diversified across a wide range of asset classes, including those providing return premiums for illiquidity, so as to provide a balance that will enhance total return under a range of economic scenarios, while avoiding undue risk concentrations in any single asset class or investment category. Sufficient liquidity in the endowment portfolio to meet the spending policy and operational needs, preserve the university's desired credit ratings, and maintain other applicable required minimums is also considered when making investment decisions regarding asset allocation.

In accordance with the Washington State Uniform Prudent Management of Institutional Funds Act (UPMIFA), the university considers the following factors, among others, in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund; (2) the purposes of the university and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation or deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the university; and (7) the investment policies of the university.

Pooled endowment spending is determined using the total return concept. The board of trustees approved a spending rate for the general pooled endowment based on 5% of a trailing 36-month average market value for the years ended June 30, 2024 and June 30, 2023, and approved a spending rate for the fossil fuel free portfolio based on 3.5% of a trailing 36-month average market value for the years ended June 30, 2024 and June 30, 2023. For a few donor-restricted endowment funds, the university honors and adheres to donor-stipulated spending limitations.

As of June 30, 2024 and 2023, approximately 99.3% of the university's endowment investments were pooled.

Funds with Deficiencies

As of June 30, 2024 and 2023, there were $0 and $8, respectively, in endowment funds with values less than the total original and all subsequent contributions. Deficiencies of this nature are reported in net assets with donor restrictions.

Interpretation of Relevant Law

Consistent with its understanding of donor intent, the board of trustees of the university has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. The university classifies as net assets with donor restrictions: (a) the original value of gifts to donor-restricted endowments and (b) any other amounts added to donor-restricted endowments that donors have stipulated are not expendable. The remaining portion of the donor-restricted endowment fund is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the university in a manner consistent with the standard of prudence prescribed by UPMIFA. Board-designated quasi-endowment funds with donor restrictions were established with expendable restricted bequests and gifts.

Net asset balances and changes to the net asset balances for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2023	$ 139,557	$ 318,693	$ 458,250
Contributions, net	-	3,650	3,650
Transfers and other additions (deductions)	3,018	82	3,100
Net assets released from restrictions	396	(396)	-
Return on investments:			
Investment income	311	637	948
Net change on investments	11,958	28,691	40,649
Total return on investments	12,269	29,328	41,597
Amount distributed for operating activities	(12,354)	(13,777)	(26,131)
Endowment net assets, June 30, 2024	142,886	337,580	480,466
Endowment net assets consisted of the following at June 30, 2024:			
Donor-restricted endowments	-	326,530	326,530
Board-designated quasi-endowments	142,886	2,052	144,938
	142,886	328,582	471,468
Unconditional promises to endowment	-	8,998	8,998
Total endowment net assets	$ 142,886	$ 337,580	$ 480,466

June 30, 2024 (Dollars in Thousands)

NOTE 4 – ENDOWMENT INVESTMENTS AND NET ASSETS, *CONTINUED*

Net asset balances and changes to the net asset balances for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2022	$ 135,068	$ 293,838	$ 428,906
Contributions, net	-	11,649	11,649
Transfers and other additions (deductions)	2,634	256	2,890
Net assets released from restrictions	339	(339)	-
Return on investments:			
Investment income	752	1,760	2,512
Net change on investments	10,252	24,108	34,360
Total return on investments	11,004	25,868	(36,782)
Amount distributed for operating activities	(9,488)	(12,579)	(22,067)
Endowment net assets, June 30, 2023	139,557	318,693	458,250
Endowment net assets consisted of the following at June 30, 2023:			
Donor-restricted endowments	-	307,211	307,211
Board-designated quasi-endowments	139,557	1,854	141,411
	139,557	309,065	448,622
Unconditional promises to endowment	-	9,628	9,628
Total endowment net assets	$ 139,557	$ 318,693	$ 458,250

NOTE 5 – INTANGIBLE ASSETS AND CAMPUS FACILITIES

Intangible Assets

Intangible assets include software and software related contracts, electronic library resources, and website development costs. The weighted average amortization period for assets acquired in the current period is 15 years.

	June 30, 2024	June 30, 2023
Intangible assets:		
Gross carrying amount	$ 18,368	$ 17,256
Accumulated amortization	(9,112)	(8,051)
Net carrying amount	$ 9,256	$ 9,205

Aggregate amortization expense:

2024	$ 1,070

Estimated amortization expense for each of the next five years and thereafter is as follows:

2025	$ 1,124
2026	1,066
2027	1,048
2028	1,015
2029	932
Thereafter	4,071
Total	$ 9,256

Campus Facilities

Campus facilities consisted of the following:

	June 30, 2024	June 30, 2023
Land and improvements	$ 43,105	$ 42,357
Building and improvements	294,490	292,784
Equipment	13,971	13,471
Library resources	3,049	2,963
Collections	1,051	1,046
Construction in progress	2,367	1,850
	358,033	354,471
Accumulated depreciation	(181,098)	(174,323)
Campus facilities, net	$ 176,935	$ 180,148

June 30, 2024 (Dollars in Thousands)

NOTE 5 – INTANGIBLE ASSETS AND CAMPUS FACILITIES, *CONTINUED*

Asset Retirement Obligations

Under U.S. GAAP, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the liability can be reasonably estimated. For the university, these obligations are primarily for the disposal of regulated materials generally found in pre-1980 campus facilities. Though these materials do not currently pose a health hazard in any of these facilities, appropriate remediation procedures are required to remove these materials upon renovation or demolition.

The following schedule summarizes the university's asset retirement obligation activity:

	June 30, 2024	June 30, 2023
Asset retirement obligation, beginning of the year	$ 2,447	$ 2,353
Obligations settled	(8)	(8)
Obligations incurred	-	-
Accretion expense	108	99
Revisions in estimated cash flows	130	3
Asset retirement obligation, end of the year	$ 2,677	$ 2,447

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	Final Maturity	June 30, 2024	June 30, 2023
WHEFA Revenue Bonds, 2021A	2036	$ -	$ 21,950
WHEFA Revenue Bonds, 2022	2042	33,628	34,382
WHEFA Revenue Bonds, 2023	2043	29,137	-
WHEFA Revenue Bonds, 2001	2031	-	6,861
Capital lease obligations	2032	21	27
Total		$ 62,786	$ 63,220

Principal due within the next five fiscal years and thereafter is as follows:

2025	842
2026	1,692
2027	2,417
2028	2,507
2029	2,612
Thereafter	51,046
	61,116
Unamortized premium costs	2,377
Unamortized issuance costs	(707)
Total	$ 62,786

The Washington Higher Education Facilities Authority (WHEFA) is a financing conduit provided by the State of Washington for private higher education facility acquisition and construction in the state. The university's revenues without donor restrictions are pledged as collateral on the WHEFA bond obligations. The bonds are obligations solely of the university and are not guaranteed by the state. The university has agreed to covenants relating to the maintenace of facilities, insurance, and other general items, and certain financial covenants. The university's underlying long-term rating is "A+" by Standards & Poors Global Ratings.

In June 2021, the university issued WHEFA Series 2021A and 2021B to refinance the Series 2019 and the Series 2012A bonds, respectively, through a direct purchase transaction with a bank for a ten-year term. The 2021B bonds converted to tax-exempt in fiscal year 2023 (WHEFA Series 2022), with a fixed, tax-exempt interest rate of 2.0%.

In September 2023, the university refinanced the WHEFA Series 2001 and WHEFA Series 2021A variable-rate bonds into the WHEFA Series 2023 fixed-rate, tax-exempt bonds. The bonds were issued in the public bond market in the amount of $27,025 at a net premium of $2,699 and bear interest at a fixed rate of 5%.

For the years ending June 30, 2024 and June 30, 2023, the university incurred total interest costs related to long-term debt of $1,986 and $2,048, respectively, of which $0 was capitalized. Interest costs include debt interest payments, net interest rate swap agreement payments, remarketing, and amortization of bond premium, discount and costs of issuance.

June 30, 2024 (Dollars in Thousands)

NOTE 6 – LONG-TERM DEBT, *CONTINUED*

Interest Rate Swap Agreements

During 2005 and 2006, the university entered into interest rate swap agreements to convert its variable rate bonds to a substantially fixed rate through maturity. Under the terms of the swap agreements, the university pays the swap counterparties fixed amounts of interest over the term of the contracts and receives variable interest payments based on 67% of the one-month LIBOR. In September 2023, the university terminated the two remaining interest rate swaps with The Bank of New York Mellon and Societe Generale as part of the transaction to refinance the Series 2001 and Series 2021A variable-rate bonds into the Series 2023 fixed-rate, tax-exempt bonds, thereby eliminating variable rate debt and swap instruments from the bond portfolio.

The university utilized its interest rate swap agreements solely as a cash flow hedge and does not use derivative instruments for trading or speculative purposes.

NOTE 7 – LIQUIDITY AND AVAILABILITY

The university manages its financial assets to be available for general expenditures, liabilities and other obligations as they come due. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other limitations include perpetual endowments and accumulated earnings net of distributions within one year, board-designated quasi-endowment funds, trust assets, assets held for others and mandated annuity reserves.

The university has various sources of liquidity at its disposal, including cash and cash equivalents, short-term investments, and certain endowment investments. The university can also draw from its board-designated quasi-endowment with board approval, should it be determined prudent to do so.

The following table reflects the university's financial assets as of June 30, 2024 and June 30, 2023, reduced by amounts not available for general expenditures within one year.

	June 30, 2024	June 30, 2023
Financial Assets:		
Cash and cash equivalents	$ 45,970	$ 41,426
Short-term investments	16,124	23,267
Receivables, net	1,728	1,026
Contributions receivable, net	11,768	10,058
Beneficial interest in outside trusts	1,162	1,071
Assets held under split-interest agreements	4,831	4,990
Endowment investments	471,468	448,622
Financial assets, at year-end	$ 553,051	$ 530,460
Less those unavailable for general expeditures within one year, due to:		
Donor-restricted endowment, net of anticipated draw	(313,574)	(295,089)
Donor and grant-restricted expendable funds	(6,825)	(7,669)
Assets held under split interest agreements	(4,831)	(4,990)
Beneficial interest in outside trusts	(1,162)	(1,071)
Contributions receivable, net, scheduled to be collected in more than one year	(8,135)	(5,458)
Other restricted assets	(2,415)	(2,268)
Financial assets available to meet cash needs for general expenditures within one year, before board designations:	$ 216,109	$ 213,915
Less board designations:		
Board-designated quasi-endowment, net of anticipated draw	(137,164)	(134,236)
Financial assets available to meet general expenditures within one year	$ 78,945	$ 79,679

NOTE 8– ANALYSIS OF EXPENSE BY FUNCTIONAL AND NATURAL CLASSIFICATIONS

The Consolidated Statements of Activities report the functional classification of expenses by program activity. The following tables present the natural classification of expenses by program activity for the years ended June 30, 2024 and June 30, 2023 respectively:

June 30, 2024 (Dollars in Thousands)

NOTE 8 –ANALYSIS OF EXPENSE BY FUNCTIONAL AND NATRUAL CLASSIFICATIONS, *CONTINUED*

June 30, 2024:	**Program Activities**				**Supporting Activities**	
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total Expenses
Salaries and wages	$ 25,808	$ 4,324	$ 9,061	$ 5,713	$ 9,973	$ 54,879
Employee benefits	6,500	1,164	2,623	1,312	2,944	14,543
Supplies, travel, and other	4,111	1,220	3,084	5,689	1,263	15,367
Service and professional fees	1,200	1,100	2,391	2,851	2,779	10,321
Facilities maintenance and operations	1,430	399	880	3,776	201	6,686
Depreciation and amortization	2,875	1,425	1,811	2,745	568	9,424
Interest	956	96	45	652	42	1,791
Total Expenses	$ 42,880	$ 9,728	$ 19,895	$ 22,738	$ 17,770	$ 113,011

June 30, 2023:	**Program Activities**				**Supporting Activities**	
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Total Expenses
Salaries and wages	$ 25,547	$ 4,366	$ 8,325	$ 5,401	$ 9,517	$ 53,156
Employee benefits	7,815	1,202	2,625	1,453	2,845	15,940
Supplies, travel, and other	3,859	1,340	3,052	5,413	1,356	15,020
Service and professional fees	1,050	1,032	2,276	2,099	2,995	9,452
Facilities maintenance and operations	1,561	446	994	3,009	164	6,174
Depreciation and amortization	2,959	1,407	1,889	2,892	498	9,645
Interest	1,288	105	39	637	46	2,115
Total Expenses	$ 44,079	$ 9,898	$ 19,200	$ 20,904	$ 17,421	$ 111,502

The costs of compensation, supplies and services are recorded directly to the appropriate program activity. Certain categories of expenses are attributable to one or more program or supporting activities, and are allocated to the functional areas. The cost of facilities maintenance and operations is allocated to the functional areas based on occupancy square footage. Depreciation and amortization expense is allocated directly to functional classifications based on the use of the underlying assets. Interest expense on long-term debt is allocated to the functional areas that have benefited from the proceeds. The cost of information technology services included in supporting activities is allocated to the functional areas based on estimated utilization of system resources and support.

NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions consisted of the following:

	June 30, 2024	**June 30, 2023**
Time or purpose restricted:		
Time restrictions:		
Unappropriated earnings from donor-restricted endowments	$ 155,334	$ 141,404
Term endowment	635	605
Total time-restricted endowments	155,969	142,009
Unconditional promises to give	2,770	429
Split-interest agreements - life income	1,153	1,066
Split-interest agreements - annuities	11	9
Cash surrender value of life insurance policies	127	107
Total time restrictions	160,030	143,620
Purpose restrictions:		
Construction of campus facilities	1,842	1,666
Educational programs and activities	12,930	11,849
Total purpose restrictions	14,772	13,515
Total time or purpose restricted	$ 174,802	$ 157,135
Restricted in perpetuity:		
Endowment funds	$ 179,559	$ 174,839
Split-interest agreements	2,406	2,283
Loan funds	5	5
Total restricted in perpetuity	$ 181,970	$ 177,127
Total net assets with donor restrictions	$ 356,772	$ 334,262

June 30, 2024 (Dollars in Thousands)

NOTE 10 – RETIREMENT PLANS

Defined Contribution Plan

The university contributes to a defined contribution retirement plan for the benefit of eligible faculty and staff (participants), with funding vehicles available through Teachers Insurance Annuity Association of America (TIAA). University contributions for participants begin after one year of service to the university or one year of service at an eligible employer during the twelve months immediately prior to their employment at the university. Contributions were 6% of salaries for the year ended June 30, 2024 and 2023 and are fully vested. The university's contributions totaled $2,532 and $2,456 for the years ended June 30, 2024 and 2023, respectively.

Defined Benefit Plans

The university has in place an unfunded early retirement and career change plan for eligible members of the faculty. The university also accrues post-retirement medical benefits available to certain active faculty under the faculty early retirement and career change policy (pre-65 benefits) and certain retired faculty and staff under a discontinued medical benefits plan for retirees (post-65 benefits). Plan expenses and liabilities are valued based on actuarial methods and are reflected in the consolidated financial statements. U.S. GAAP requires employers to recognize the overfunded or underfunded status of a defined benefit post-retirement plan as an asset or liability in their statement of financial position and to recognize changes in that funded status in the year in which the changes occur. As a not-for-profit organization, the university recognizes such changes through changes in net assets without donor restrictions

Amounts recognized in "Accrued payroll and other liabilities" in the Consolidated Statements of Financial Position as of June 30, 2024 and 2023, and in the Consolidated Statements of Activities for the years then ended are as follows:

	Faculty Early Retirement and Career Change Plan		Post-Retirement Medical Plan	
	2024	2023	2024	2023
Projected and accumulated post-retirement benefit obligations:				
Beginning of the year	$ 5,988	$ 5,990	$ 3,772	$ 3,652
Benefits paid	(1,442)	(611)	(190)	(104)
Amounts recognized in the Consolidated Statements of Activities:				
Components of net benefit expense:				
Service cost	276	277	184	178
Interest cost	294	269	185	164
Total net benefit expense	570	546	369	342
Gain (loss) recognized within other adjustments and changes	1,646	63	(129)	(118)
End of the year	$ 6,762	$ 5,988	$ 3,822	$ 3,772
Post-retirement benefit liability recognized within accrued payroll and other liabilities in the Consolidated Statements of Financial Position:				
Current portion	$ 390	$ 313	$ 246	$ 225
Noncurrent portion	6,372	5,675	3,576	3,547
Total	$ 6,762	$ 5,988	$ 3,822	$ 3,772
Plan funded (unfunded) status	$ (6,762)	$ (5,988)	$ (3,822)	$ (3,772)

The weighted-average assumptions used to determine plan benefit obligations as of June 30, 2024 and 2023, and the net benefit expense for the years then ended, included:

	Faculty Early Retirement and Career Change Plan		Post-Retirement Medical Plan	
	2024	2023	2024	2023
Benefit obligation (post-retirement benefit liability):				
Discount rate	5.04%	4.59%	5.34%	5.06%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Net benefit expense:				
Discount rate	5.04%	4.59%	5.06%	4.64%
Rate of compensation increase	3.50%	3.50%	N/A	N/A

Amounts recognized as changes in net assets without donor restrictions that are expected to be recognized as amortization components of net benefit expense in the next fiscal year include a net loss of $0 for the faculty early retirement and career change plan and a net loss of $0 for the post-retirement medical plan.

Benefits were estimated based upon the same assumptions used to measure the benefit obligation. Benefits expected to be paid in each of the next five years, and in the aggregate for the five years thereafter, are as follows:

June 30, 2024 (Dollars in Thousands)

NOTE 10 – RETIREMENT PLANS, *CONTINUED*

	Faculty Early Retirement and Career Change Plan	Post-Retirement Medical Plan
2025	$ 390	$ 246
2026	477	251
2027	532	303
2028	617	323
2029	633	340
2030–2034	3,211	1,935

NOTE 11 – WASHINGTON STATE STATUTORY REQUIREMENTS

Washington State statutory requirements related to charitable gift annuities require the following disclosure of unconsolidated financial information for the university as of June 30, 2024:

	University of Puget Sound (unconsolidated)	Wholly Owned Subsidiary	Eliminating Entries	University of Puget Sound (consolidated)
Assets:				
Cash and cash equivalents	$ 45,970	$ -	$ -	$ 45,970
Due from subsidiaries	831	-	(831)	-
Short-term investments	16,124	-	-	16,124
Receivables, net	1,728	-	-	1,728
Contributions receivable, net	11,768	-	-	11,768
Inventories	352	-	-	352
Prepaid expenses and other assets	2,259	5,873	-	8,132
Student loans receivable, net	2,704	-	-	2,704
Beneficial interest in outside trusts	1,162	-	-	1,162
Assets held under split-interest agreements	4,831	-	-	4,831
Endowment investments	471,468	-	-	471,468
Intangibles, net	9,256	-	-	9,256
Campus facilities, net	176,935	-	-	176,935
Total assets	$ 745,388	$ 5,873	$ (831)	$ 750,430
Liabilities:				
Accounts payable	$ 2,420	$ -	$ -	2,420
Due to university	-	831	(831)	-
Accrued payroll and other liabilities	16,831	-	-	16,831
Advance deposits from students	1,712	-	-	1,712
Liabilities under split-interest agreements	2,418	-	-	2,418
Government advances for student loans	3,471	-	-	3,471
Asset retirement obligation	2,677	-	-	2,677
Interest rate swap agreements	-	-	-	-
Long-term debt, net	62,786	-	-	62,786
Total liabilities	$ 92,315	$ 831	$ (831)	$ 92,315
Net Assets:				
Net assets without donor restrictions	$ 301,343	$ -	$ -	$ 301,343
Net assets with donor restrictions	351,730	5,042	-	356,772
Total net assets	653,072	5,042	-	658,115
Total liabilities and net assets	$ 745,387	$ 5,873	$ (831)	$ 750,430

The amount included to meet future payments under gift annuity contracts in liabilities under split-interest agreements was $399 as of June 30, 2024, and $397 as of June 30, 2023.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The university is obligated under certain limited partner investment fund agreements to fund capital commitments yet to be called by the investment fund. At June 30, 2024, the university had $17,704 in unfunded commitments to external investment managers.

In the normal course of activities, the university from time to time is the subject of various claims and legal actions. In the opinion of management, most such claims and legal actions are covered by insurance and the ultimate disposition of these matters will not have a material impact on the consolidated financial statements.

Amounts received or receivable under federal grant programs are subject to audit by governmental agencies. Management expects that any liabilities resulting from such audits would be immaterial.

NOTE 13 – SUBSEQUENT EVENTS

The university has evaluated subsequent events through November 18, 2024, the date the consolidated financial statements were available to be issued.

UNIVERSITY OF PUGET SOUND Board of Trustees and Officers (Unaudited)

As of September 2024

Trustee Officers

Trustees

Non-Trustee Officers

UNIVERSITY of PUGET SOUND

Est. 1888

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