

Financial Report

2024-2025



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Gonzaga University

Letter from the Chief Financial Officer

A Legacy of Vision and Stewardship: Honoring Dr. Thayne McCulloh and Welcoming Dr. Katia Passerini

As I reflect on the past fiscal year, it is with deep gratitude and admiration that we recognize the extraordinary leadership of Dr. Thayne McCulloh, who retired this year after serving as Gonzaga University's 26th President since 2009. Over the course of his 16-year presidency, Dr. McCulloh guided Gonzaga through a period of transformational growth, unwavering in his commitment to the University's Jesuit mission and the holistic development of our students.

Under his leadership, Gonzaga launched and completed the historic *Gonzaga Will* comprehensive campaign, raising an unprecedented \$355 million to support scholarships, faculty excellence, and capital projects. His vision brought to life iconic facilities that now define the campus landscape, including the John J. Hemmingson Center, Della Strada Jesuit Community, Volkar Center for Athletic Achievement, Myrtle Woldson Performing Arts Center, and the John and Joan Bollier Family Center for Integrated Science and Engineering, among others.

Dr. McCulloh's tenure also marked significant academic and institutional milestones. Gonzaga earned recognition with the establishment of a Phi Beta Kappa chapter, achieved national prominence in athletics with two NCAA Men's Basketball Championship appearances, and is poised to join a newly reimagined Pac-12 Conference. These accomplishments reflect a broader transformation—from a respected regional institution to a nationally recognized university.

Financially, Gonzaga experienced remarkable growth during Dr. McCulloh's presidency. Since 2009, total assets increased by 195%, net assets grew by 282%, annual net operating revenues nearly doubled, and the University's endowment expanded by an impressive 367%. These achievements underscore a legacy of strategic stewardship and enduring impact.

Dr. McCulloh also led the University through two watershed global challenges: the Great Recession and the COVID-19 pandemic. His steady leadership during these uncertain times ensured Gonzaga's continued stability, resilience, and commitment to our mission.

As we honor Dr. McCulloh's legacy, we also welcome Dr. Katia Passerini, who assumed the role of Gonzaga's 27th President on July 15, 2025. A distinguished academic and seasoned administrator, Dr. Passerini brings a wealth of experience from her prior roles as Provost and Interim President at Seton Hall University, and as Dean at St. John's University and the New Jersey Institute of Technology. Her appointment marks a new chapter in Gonzaga's history—one rooted in innovation, inclusion, and a continued commitment to academic excellence and Jesuit values.

I am personally grateful to have served under tremendous leadership—exemplified by both Dr. McCulloh and Dr. Passerini—at a time when higher education faces profound transformation and uncertainty. Their guidance, informed by Gonzaga's Catholic, Jesuit, and humanistic traditions, remains essential to navigating the complex challenges impacting our sector. I also extend my heartfelt appreciation to our faculty, staff, and the entire Gonzaga community, whose dedication and resilience continue to uphold the University's fundamental mission: to educate students for lives of leadership and service for the common good.

Gonzaga University

Letter from the Chief Financial Officer

Following is a summary of the financial performance for the fiscal year ended May 31, 2025.

Consolidated Statements of Financial Position

Assets

Assets totaling \$1.188 billion as of May 31, 2025, an increase of \$60.3 million or 5.4% from the prior fiscal year. Total assets are comprised largely of cash and short-term investments, contributions receivable, long-term investments, and campus facilities.

Cash and cash equivalents and short-term investments totaled \$113.1 million as of May 31, 2025, an increase of \$18.2 million or 19.2% from the prior fiscal year. These resources provide essential liquidity to cover operating costs, funds to construct and maintain campus facilities, and capacity to satisfy debt service payments. Additionally, the funds support strategic plan initiatives supplemented by contingencies and reserves. Changes in cash and cash equivalents are the result of cash generated from operations, cash receipts from gifts, changes in investments, capital spending, debt payments, and other activity.

Contributions receivable, net totaled \$47.5 million as of May 31, 2025, an increase of \$11.0 million or 30.1% from the prior fiscal year. Of this amount, \$45.1 million (undiscounted) is expected to be collected within the next five years.

Long-term investments and beneficial interest in split-interest agreements held by others totaled \$579.5 million as of May 31, 2025, an increase of \$39.6 million or 7.3% from the prior fiscal year. Such amounts represent 48.8% of total assets as of May 31, 2025, and are substantially comprised of endowment assets. The net return on the diversified endowment investment pool was 10.7% for the fiscal year, ahead of the University's policy index by 220 basis points. Additional drivers of the year-over-year change included new endowment gifts of \$8.1 million, \$1.2 million net inflows for investments held in custody for others, offset by an annual spending distribution of \$20.9 million, of which two-thirds was used to help offset the University's total expenditure of \$165.9 million for institutional financial aid to students. The pooled endowment is invested on a total return basis to provide a long-term annual return equal to, or in excess of, the annual spending distribution plus inflation. The strategic target asset allocation of the endowment is domestic equities (21%), international equities (19%), fixed income (20%), alternative investments (30%) and real assets (10%). The pooled endowment achieved annualized net returns ranking among the top 15% of higher education institutions nationwide for the five-year period ending June 30, 2024, and top 10% for the ten-year period ending June 30, 2024 (the most currently available data)¹. The ten-year annualized net return was 8.4% as of June 30, 2024, or 160 basis points higher than the NCSE average for all participants.

1 Source: NACUBO Commonfund Study of Endowments® (NCSE), 2024

Property, plant, and equipment, net totaled \$402.5 million as of May 31, 2025, a decrease of \$3.1 million or 0.8% from the prior fiscal year. The University continues to invest in its physical facilities to support key academic initiatives, student services, housing, and overall infrastructure. Total additions to construction in progress were \$10.2 million for the year ended May 31, 2025, including completion of Mantua Hall, a 90-bed second-year residence hall. Depreciation expense was \$18.5 million for the year ending May 31, 2025, an increase of \$0.3 million or 1.6% over the prior fiscal year. The University incorporates renewal and replacement spending within its annual operating budget to maintain a 152-acre main campus of more than 100 buildings.

Gonzaga University

Letter from the Chief Financial Officer

Liabilities

Liabilities totaled \$337.4 million as of May 31, 2025, largely unchanged from the prior fiscal year. Liabilities primarily include short-term obligations for accounts and other payables, accrued salaries, taxes, and benefits, and deferred revenue and refundable advances, as well as long-term obligations for leases, and bonds payable.

Accounts and other payables totaled \$12.9 million as of May 31, 2025, an increase of \$0.4 million or 2.8% from the prior fiscal year. Accrued salaries, taxes, and benefits totaled \$28.9 million as of May 31, 2025, an increase of \$2.4 million or 9.1% from the prior fiscal year.

In addition to shorter-term obligations to vendors, creditors, and employees, along with deferred revenues and refundable advances, the most significant liabilities are bonds payable. Bonds payable are largely used to finance the construction and acquisition of property, plant, and equipment. As of May 31, 2025, bonds payable decreased \$1.5 million or 0.6%, resulting from scheduled principal payments. All bonds payable are 100% fixed rate instruments, which provides a high degree of certainty as to the annual debt service payments given payments are not subject to interest rate variability. Together, the overall debt portfolio represents a 3.98% weighted average cost of borrowed funds and an 18.9 year remaining weighted average duration. Gonzaga's currently scheduled annual total debt service through fiscal year 2033-34 remains largely flat, ranging between \$10.3 million and \$11.5 million per fiscal year. Bonds are rated by Moody's Investor Service and Fitch Ratings and carry an "A2" rating (outlook stable) and "A+" rating (outlook stable), respectively.

Net Assets

Net assets were \$850.7 million as of May 31, 2025, an increase of \$60.1 million or 7.6% from the prior fiscal year. The three primary drivers of annual changes in net assets are 1) the net change from operating activities; 2) net investment return of the endowment and other long-term investments, after the annual spending distribution; and 3) contributions towards non-operating activities, such as acquisition of capital assets and endowment.

Net assets without donor restrictions totaled \$355.5 million as of May 31, 2025, an increase of \$3.6 million or 1.0% from the prior year. The increase results from net gains from non-operating activities of \$6.8 million resulting largely from return on investments and net assets released from restrictions for the acquisition of capital assets, offset by endowment income distributed for operating activities and other changes, along with a \$3.2 million decrease in net assets from operations.

Net assets with donor restrictions for time or purpose totaled \$273.2 million as of May 31, 2025, an increase of \$49.2 million or 21.9% from the prior year. The increase was due primarily to investment gains of \$39.8 million and contributions of \$42.4 million, grants and contracts of \$4.4 million, offset by net assets released from restriction of \$36.3 million, among other changes.

Net assets with donor restrictions in perpetuity totaled \$222.1 million as of May 31, 2025, an increase of \$7.4 million or 3.4% from the prior fiscal year. The increase was due largely to new contributions to the endowment fund of \$8.1 million.

Gonzaga University

Letter from the Chief Financial Officer

Consolidated Statements of Activities

The University categorizes changes in its net assets as either operating activities or non-operating activities, each of which is summarized below:

Operating Activities

For the year ended May 31, 2025, total operating activities resulted in a \$21.3 million increase in net assets, compared with a \$3.1 million increase in the prior fiscal year. For the years ended May 31, 2025 and 2024, the operating margin (calculated as change in net assets from operations divided by total operating revenues) was 6.5% and 1.0%, respectively, and the operating cash flow margin (calculated as the sum of change in net assets from operations, depreciation, amortization, and interest paid divided by total operating revenues) was 15.2% and 10.6%, respectively.

For the year ended May 31, 2025, total operating revenues of \$327.4 million increased \$31.7 million or 10.7% from the prior fiscal year. The most significant component of operating revenues is student tuition and fees, net of institutional financial aid, which increased \$4.9 million or 2.5% from the prior fiscal year. The change is driven by an increase in undergraduate net tuition revenue of \$4.7 million, the net result of a 3.5% tuition rate increase, an increase in undergraduate headcount enrollment (fall) of 121 students, stable retention rates, and variations in institutional financial aid from year to year. The fall 2024 freshmen class was 1,251 students, down 2 students from the prior year freshmen cohort. Graduate net revenues, including law, increased by \$2.2 million due to changes in tuition per graduate credit that vary by program with credit generation largely unchanged from year to year. Institutional financial aid as a percentage of student tuition and fees increased 150 basis points to 45.5% in fiscal year 2025 compared to fiscal year 2024, largely driven by variations in institutional financial aid award between undergraduate and law cohorts each year and the University's response to a challenging rollout of federal changes to the Free Application for Federal Student Aid (FAFSA).

While operating revenues come largely from student tuition and fees and associated auxiliary revenues, grants and contracts, contributions and endowment distributions are important revenue diversifiers that help offset the cost of a Gonzaga education for all students, particularly to support institutional financial aid. Total contributions to support operations were \$39.5 million, an increase of \$21.0 million or 113.0%. Endowment distributions increased year over year by \$5.3 million or 33.6%, driven by a 50-basis point increase in the effective spending rate, investment growth, new gifts, and inflation, all of which serve as inputs to the annual endowment spending calculation.

For the year ended May 31, 2025, total operating expenses of \$306.2 million increased \$13.6 million or 4.6% from the prior fiscal year. Salaries, wages, and benefits—the largest category of expense—increased \$9.1 million or 5.1%, due to regular annual compensation increases for faculty and staff, increased expenditures for employee medical benefits and retirement plan contributions, and other compensation increases resulting from changes in Washington State minimum wage and exempt staff salary thresholds. Occupancy, utilities, and maintenance increased \$3.0 million, of which \$2.3 million was attributable to increases in maintenance expenses which can vary from year to year as a function of projects.

Gonzaga University

Letter from the Chief Financial Officer

Non-Operating Activities

In addition to operations, Gonzaga reports other changes in net assets from those activities that are not directly attributable to its annual operations. Return on investments combined with endowment income distributed for operating activities was a net gain of \$28.1 million for the year ended May 31, 2025, and such amounts generally experience high levels of fluctuations from year to year resulting from the broader investment markets. Contributions for the acquisition of capital assets, net and contributions for endowment funds, net were \$11.8 million for the year ended May 31, 2025, an increase of \$1.8 million or 17.4% compared to the prior fiscal year.

Closing

I am grateful for the ongoing work of our faculty and staff and amazed at the accomplishments of our students. I also wish to extend a special thanks to our accounting and finance teams who together make the preparation of this annual financial report possible.

Faithfully,



Joe Smith, CPA, CGMA, MBA
Chief Financial Officer
September 2025

Gonzaga University

Selected Data (in Thousands) (Unaudited)

The following data reflects selected financial and nonfinancial data for the past five fiscal years. Amounts are derived from the audited consolidated financial statements and other official University sources.

As of May 31	2025	2024	2023	2022	2021
Consolidated Statement of Financial Position Data					
Cash, cash equivalents, and short-term investments	\$ 113,140	\$ 94,911	\$ 99,617	\$ 101,473	\$ 97,772
Contributions receivable, net	47,487	36,506	38,621	40,597	37,856
Long-term investments ⁽¹⁾	579,517	539,874	485,828	497,222	467,059
Property, plant, and equipment, net	402,487	405,631	396,337	403,978	403,187
Total assets	<u>1,188,154</u>	<u>1,127,857</u>	<u>1,082,570</u>	<u>1,081,759</u>	<u>1,049,183</u>
Bonds payable	\$ 227,109	\$ 228,580	\$ 230,531	\$ 231,501	\$ 223,349
Total liabilities	<u>337,414</u>	<u>337,213</u>	<u>338,394</u>	<u>327,851</u>	<u>320,236</u>
Net assets without donor restrictions	\$ 355,520	\$ 351,969	\$ 337,182	\$ 338,666	\$ 325,460
Net assets with donor restrictions for time or purpose	273,166	224,008	202,775	222,268	226,910
Net assets with donor restrictions in perpetuity	222,054	214,667	204,219	192,974	176,577
Total net assets	<u>\$ 850,740</u>	<u>\$ 790,644</u>	<u>\$ 744,176</u>	<u>\$ 753,908</u>	<u>\$ 728,947</u>
For the year ended May 31					
Consolidated Statement of Activities and Other Data					
Student tuition and fees, net of institutional financial aid	\$ 198,801	\$ 193,884	\$ 181,486	\$ 173,561	\$ 159,401
Total operating revenues ⁽²⁾	327,437	295,691	275,252	274,803	228,588
Total operating expenses ⁽²⁾	306,160	292,597	279,985	259,257	222,881
Increase (decrease) in net assets from operations ⁽²⁾	21,277	3,094	(4,733)	15,546	5,707
Increase (decrease) in net assets from nonoperating activities ⁽³⁾	38,819	43,374	(4,999)	9,415	121,889
Increase (decrease) in total net assets	60,096	46,468	(9,732)	24,961	127,596
Pooled investment fund return	10.7%	13.3%	(3.7%)	(0.1%)	48.2%
Measured in the fall of the applicable fiscal year					
Other Data					
Enrollment by headcount					
Undergraduate	5,293	5,172	5,093	4,994	4,870
Graduate	1,613	1,580	1,662	1,938	2,011
Law	564	554	498	448	414
Total enrollment	<u>7,470</u>	<u>7,306</u>	<u>7,253</u>	<u>7,380</u>	<u>7,295</u>
Employees ⁽⁴⁾					
Faculty	467	457	464	459	455
Staff and administration	903	901	857	824	853
Total employees	<u>1,370</u>	<u>1,358</u>	<u>1,321</u>	<u>1,283</u>	<u>1,308</u>

⁽¹⁾ Includes beneficial interest in split-interest agreements held by others and long-term investments held in custody for others.

⁽²⁾ Refer to Note 2 in the notes accompanying the consolidated financial statements for the definition of operating activities. Amounts reported are for all net asset classifications.

⁽³⁾ Refer to Note 2 in the notes accompanying the consolidated financial statements for the definition of nonoperating activities. Amounts reported are for all net asset classifications.

⁽⁴⁾ Employee figures include part-time faculty and staff and exclude student employees and adjunct faculty.

Report of Independent Auditors

President and Board of Trustees
Gonzaga University

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Gonzaga University (a Washington nonprofit corporation), which comprise the consolidated statements of financial position as of May 31, 2025 and 2024, and the related consolidated statements of statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Gonzaga University as of May 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Letter from the Chief Financial Officer and the Selected Data are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Baker Tilly US, LLP

Spokane, Washington
September 9, 2025

Consolidated Financial Statements

Gonzaga University
Consolidated Statements of Financial Position
May 31, 2025 and 2024

ASSETS

	(in thousands)	
	2025	2024
ASSETS		
Cash and cash equivalents	\$ 70,971	\$ 59,261
Short-term investments	42,169	35,650
Accounts and interest receivable, net	13,072	14,975
Prepaid expenses	7,794	8,277
Contributions receivable, net	47,487	36,506
Student loans receivable, net	6,280	6,284
Deposits with bond trustees	3	1,056
Long-term investments	568,784	526,493
Beneficial interest in split-interest agreements held by others	10,733	13,381
Right-of-use assets, operating leases, net	15,591	17,135
Right-of-use assets, finance leases, net	2,783	3,208
Property, plant, and equipment, net	402,487	405,631
Total assets	\$ 1,188,154	\$ 1,127,857

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts and other payables	\$ 12,920	\$ 12,563
Accrued salaries, taxes, and benefits	28,890	26,482
Interest payable	1,511	1,517
Deferred revenues and refundable advances	17,202	19,207
Split-interest agreement obligations	5,745	5,408
Federal student loan program	1,375	2,368
Long-term investments held in custody for others	23,559	20,216
Operating lease liabilities, net	16,201	17,574
Finance lease liabilities, net	2,902	3,298
Bonds payable	227,109	228,580
Total liabilities	337,414	337,213
NET ASSETS		
Without donor restrictions	355,520	351,969
With donor restrictions		
Time or purpose	273,166	224,008
Perpetuity	222,054	214,667
Total with donor restrictions	495,220	438,675
Total net assets	850,740	790,644
Total liabilities and net assets	\$ 1,188,154	\$ 1,127,857

See accompanying notes.

Gonzaga University
Consolidated Statement of Activities
Year Ended May 31, 2025

	(in thousands)			
	Year Ended May 31, 2025			Year Ended May 31, 2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Operating revenues				
Student tuition and fees	\$ 364,679	\$ -	\$ 364,679	\$ 345,614
Less institutional financial aid	(165,878)	-	(165,878)	(151,730)
Student tuition and fees, net	198,801	-	198,801	193,884
Contributions	866	38,674	39,540	18,565
Grants and contracts	114	4,409	4,523	2,226
Return on investments designated for operating activities	7,423	5	7,428	9,913
Endowment income distributed for operating activities	4,821	16,105	20,926	15,668
Auxiliary enterprises	35,650	-	35,650	34,598
Other sources	20,569	-	20,569	20,837
Net assets released from restrictions	34,682	(34,682)	-	-
Total operating revenues	302,926	24,511	327,437	295,691
Operating expenses				
Salaries, wages, and benefits	188,412	-	188,412	179,348
Professional fees and contracted services	31,683	-	31,683	31,266
Occupancy, utilities, and maintenance	23,652	-	23,652	20,647
Depreciation and amortization	19,430	-	19,430	19,232
Meetings, travel, and memberships	15,958	-	15,958	15,672
Materials, supplies, printing, and postage	11,794	-	11,794	11,719
Interest	8,848	-	8,848	9,086
Other expenses	6,383	-	6,383	5,627
Total operating expenses	306,160	-	306,160	292,597
Increase (decrease) in net assets from operations	(3,234)	24,511	21,277	3,094
Nonoperating activities				
Contributions for acquisition of capital assets, net	-	3,729	3,729	883
Contributions and other additions to endowment funds, net	-	8,095	8,095	9,189
Loss on disposal of property and equipment	(10)	-	(10)	(114)
Return on investments	9,054	39,973	49,027	47,714
Endowment income distributed for operating activities	(4,821)	(16,105)	(20,926)	(15,668)
Change in value of split-interest agreements	-	(1,096)	(1,096)	1,370
Net assets released from restrictions for acquisition of capital assets	1,635	(1,635)	-	-
Transfers	927	(927)	-	-
Total nonoperating activities	6,785	32,034	38,819	43,374
Increase in net assets	3,551	56,545	60,096	46,468
Net assets at beginning of year	351,969	438,675	790,644	744,176
Net assets at end of year	\$ 355,520	\$ 495,220	\$ 850,740	\$ 790,644

See accompanying notes.

Gonzaga University
Consolidated Statement of Activities
Year Ended May 31, 2024

	(in thousands)		
	Year Ended May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenues			
Student tuition and fees	\$ 345,614	\$ -	\$ 345,614
Less institutional financial aid	(151,730)	-	(151,730)
Student tuition and fees, net	193,884	-	193,884
Contributions	1,129	17,436	18,565
Grants and contracts	95	2,131	2,226
Return on investments designated for operating activities	9,909	4	9,913
Endowment income distributed for operating activities	3,466	12,202	15,668
Auxiliary enterprises	34,598	-	34,598
Other sources	20,837	-	20,837
Net assets released from restrictions	29,876	(29,876)	-
Total operating revenues	293,794	1,897	295,691
Operating expenses			
Salaries, wages, and benefits	179,348	-	179,348
Professional fees and contracted services	31,266	-	31,266
Depreciation and amortization	20,647	-	20,647
Occupancy, utilities, and maintenance	19,232	-	19,232
Materials, supplies, printing, and postage	15,672	-	15,672
Meetings, travel, and memberships	11,719	-	11,719
Interest	9,086	-	9,086
Other expenses	5,627	-	5,627
Total operating expenses	292,597	-	292,597
Increase in net assets from operations	1,197	1,897	3,094
Nonoperating activities			
Contributions for acquisition of capital assets, net	-	883	883
Contributions to endowment funds, net	-	9,189	9,189
Loss on disposal of property and equipment	(114)	-	(114)
Return on investments	8,720	38,994	47,714
Endowment income distributed for operating activities	(3,466)	(12,202)	(15,668)
Change in value of split-interest agreements	-	1,370	1,370
Net assets released from restrictions for acquisition of capital assets	7,482	(7,482)	-
Transfers	968	(968)	-
Total nonoperating activities	13,590	29,784	43,374
Increase in net assets	14,787	31,681	46,468
Net assets at beginning of year	337,182	406,994	744,176
Net assets at end of year	\$ 351,969	\$ 438,675	\$ 790,644

See accompanying notes.

Gonzaga University
Consolidated Statements of Cash Flows
Years Ended May 31, 2025 and 2024

	(in thousands)	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 60,096	\$ 46,468
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	19,430	19,232
Bond premium and debt issuance cost amortization	49	49
Provision for uncollectible receivables	304	632
Loss on disposal of property and equipment	10	114
Contributions restricted for long-term purposes	(11,824)	(10,072)
Interest and dividends restricted for long-term investment	(9,117)	(7,253)
Net realized and unrealized gain on investments	(42,320)	(44,230)
Change in value of split-interest agreements	1,096	(1,370)
Other change in assets and liabilities, net	(8,772)	(3,091)
Net cash provided by operating activities	<u>8,952</u>	<u>479</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, equipment, and finance right-of-use assets	(13,665)	(25,764)
Proceeds from sale of property and equipment	5	-
Proceeds from sale of investments	121,399	101,401
Purchase of investments	(122,497)	(105,013)
Issuance of student loans receivable	(1,112)	(151)
Repayment of student loans receivable	984	407
Net cash used in investing activities	<u>(14,886)</u>	<u>(29,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	9,647	13,123
Proceeds from contributions for split-interest agreements	1,627	149
Principal payments on bonds and finance leases	(2,453)	(2,948)
Payments on split-interest agreements	(354)	(320)
Interest and dividends restricted for long-term investment	9,117	7,253
Net change in student loan liability	(993)	(871)
Net cash provided by financing activities	<u>16,591</u>	<u>16,386</u>
NET CHANGE IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS	10,657	(12,255)
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, beginning of year	<u>60,317</u>	<u>72,572</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH EQUIVALENTS, end of year	<u>\$ 70,974</u>	<u>\$ 60,317</u>
SUPPLEMENTAL DISCLOSURES		
Interest paid (includes capitalized interest of \$406 and \$229 for 2025 and 2024, respectively)	<u>\$ 9,211</u>	<u>\$ 9,273</u>
NONCASH ACTIVITIES		
Right-of-use assets acquired under finance leases	\$ 537	\$ -
Acquisition of investments and property, plant, and equipment	3,071	4,677
Gifts of investments and property, plant, and equipment	210	200
Cash and cash equivalents	\$ 70,971	\$ 59,261
Deposits with bond trustees	<u>3</u>	<u>1,056</u>
Total cash, cash equivalents, and restricted cash equivalents	<u>\$ 70,974</u>	<u>\$ 60,317</u>

See accompanying notes.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Note 1 – Organization

Gonzaga University is an independent, accredited coeducational higher education institution founded in 1887 by the Society of Jesus. The Corporation of Gonzaga University (the Corporation) was incorporated in the state of Washington in 1894 as a tax-exempt charitable organization located in Spokane, Washington. The consolidated financial statements include the accounts of the Corporation, the Gonzaga Law School Foundation (Foundation), Immobiliare Gonzaga Srl., Gonzaga University Telecommunications Association (GUTA), Woldson Western 00 LLC, Woldson Alaskan Way 01 LLC, Woldson Western 01 LLC, and Woldson Western 25 LLC (LLCs) (collectively, University). The purpose of the Foundation is to provide financial support to the University's Law School. Immobiliare Gonzaga Srl. is an Italian corporation that owns land and a classroom/administration building used in the University's Florence, Italy program. GUTA broadcasts educational television and FM radio. The Corporation is the single member in the LLCs, which are organized for the exclusive purpose of holding title to property as part of the University's endowment, collecting income therefrom, and turning over the entire amount thereof less expenses to the Corporation.

All significant inter-entity transactions and balances have been eliminated. The summarized consolidating statement of financial position for the University is as follows:

	For the Year Ended May 31, 2025			Consolidated Total	Year Ended May 31, 2024 Total
	Corporation	All Other Entities	Inter-Entity Elimination		
Assets	\$ 1,185,919	\$ 123,730	\$ (121,495)	\$ 1,188,154	\$ 1,127,857
Liabilities	\$ 373,833	\$ 5,576	\$ (41,995)	\$ 337,414	\$ 337,213
NET ASSETS					
Without donor restrictions	354,557	82,850	(81,887)	355,520	351,969
With donor restrictions					
Time or purpose	249,374	21,405	2,387	273,166	224,008
Perpetuity	208,155	13,899	-	222,054	214,667
Total net assets	812,086	118,154	(79,500)	850,740	790,644
Total liabilities and net assets	\$ 1,185,919	\$ 123,730	\$ (121,495)	\$ 1,188,154	\$ 1,127,857

The primary source of revenue is tuition and fees from undergraduate, graduate, and law programs through the College of Arts & Sciences, and Schools of Business Administration, Engineering & Applied Science, Education, Health Sciences, Leadership Studies, and Law. Other sources of revenue include room and board, contributions, grants and contracts, return on investments, athletic ticket sales, sponsorships, and other sales and services.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Note 2 – Summary of Significant Accounting Policies

The accounting policies of the University reflect practices common to universities and colleges and are in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). Significant policies are summarized below.

Basis of presentation – The accompanying consolidated financial statements have been prepared with net assets, revenues, expenses, gains, and losses classified into two categories based on the existence or absence of donor-imposed restrictions. The net assets of the University are classified and defined as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board.

Net assets with donor restrictions for time or purpose – Net assets that are subject to donor-imposed restrictions that will be met by actions of the University or the passage of time. This includes gifts as well as income and net gains and losses accruing on those gifts, whose use by the University is subject to donor-imposed stipulations.

Net assets with donor restrictions in perpetuity – Net assets that are subject to donor-imposed restrictions that are permanently maintained by the University. Generally, the donors of these assets permit the University to use all or part of the return on related investments for general or specific purposes. This includes gifts, trusts, and contributions that, by donor restriction, require the corpus be invested in perpetuity.

Cash and cash equivalents – Cash and cash equivalents consist of cash balances and short-term, highly liquid investments with remaining maturities of 90 days or less as of the University's fiscal year end. Amounts also include money market mutual funds, all of which comply with Rule 2a-7 of the Investment Company Act of 1940 that seeks to limit the risk of money market funds. The University holds cash and cash equivalents at several major financial institutions, which during the course of the year, exceeded the amounts insured by the Federal Depository Insurance Corporation (FDIC) or National Credit Union Administration (NCUA). Assets with the characteristics of cash and cash equivalents that are held in donor-restricted endowment funds are reported as long-term investments.

Included in cash and cash equivalents and short-term investments are assets that are donor or contractually restricted for investment in property, plant, and equipment of \$862 and \$842 as of May 31, 2025 and 2024, respectively.

Investments – Except for direct investments in real property, the University manages its investments by using external investment managers. These investment managers invest the University's funds in various financial instruments in accordance with Board-approved investment policies. The University classifies investments as short-term investments or long-term investments depending upon the investment time horizon, liquidity considerations, and intended purpose and use of the assets.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

To enable broad diversification and economies of scale, the University's policy is to pool endowment and other long-term assets for investment purposes to the fullest extent possible as permitted by gift agreements and any applicable government regulations. In the limited cases when a donor has prohibited a gift from being pooled for investment purposes, or where the nature of the gift calls for it to be separately invested, those assets are separately invested and managed.

The University's investments are recorded in the consolidated financial statements at fair value. Investments contributed to the University are recorded at the fair value at the date of contribution. Return on investments is shown net of external and direct internal expenses. Return on investments is reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions or net assets with donor restrictions.

Investments are exposed to various risks, such as interest rate, market, foreign currency, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated statements of financial position. Any such changes, however, would not change the reporting balance on the consolidated statement of financial position as of year-end. The University is a limited partner in a managed diversified global multi-asset fund that represents a significant concentration of investment risk, such amounts comprising 26% and 25% of long-term investments as of May 31, 2025 and 2024, respectively.

Beneficial interest in split-interest agreements held by others – The University is the irrevocable beneficiary of the income or the residual interest of assets in charitable split-interest agreements held by outside trustees. At the date of donation, the University recognizes its beneficial interest in the outside split-interest agreement as a contribution at fair value that is measured as the present value of the estimated expected future benefits to be received. The contribution revenue recognized is classified as an increase in net assets with donor restrictions based on the time or use restrictions placed by the donor upon the University's beneficial interest in the split-interest agreement. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as changes in value of split-interest agreements.

Split-interest agreements – The University has legal title, as trustee, to irrevocable charitable remainder trusts and also receives contributions in connection with charitable gift annuity contracts. Actuarial methods are used to record these annuities and trusts using discount rates ranging from 4% to 6%. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy and discount rate assumptions and the remainder is recorded as a contribution. Annuity and trust assets are reported at fair value and included within long-term investments on the consolidated statements of financial position. Investment returns, beneficiary payments, and direct costs of funds management 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 funds adequate to meet future payments under its charitable gift annuity contracts as required by state laws. The total investments held in separate funds were \$4,043 and \$3,776 as of May 31, 2025 and 2024, respectively. The corresponding amount included in split-interest agreement obligations to meet future payments under gift annuity contracts was \$1,664 and \$1,629 as of May 31, 2025 and 2024, respectively.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Accounts and interest receivable, net – Accounts receivable from students are included in accounts and interest receivable, net, in the consolidated statements of financial position. Student accounts receivable are amounts due from students primarily for tuition and fees and are stated at the amount billed to students less applied scholarships and loan proceeds. The University offers several payment plans that allow students to defer payment for a nominal fee. Late fees are charged on delinquent accounts. Student account receivable balances by nature are noninterest-bearing, short-term, unsecured, and do not have specific due dates. Student accounts receivable is presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The University separates student accounts receivable into risk pools based on whether they are in collection. In determining the amount of the credit loss as of the consolidated statement of financial position date, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions.

Accounts receivable are written off only when they are deemed to be permanently uncollectible.

Contributions receivable, net – Contributions are recognized as revenue when the donor's commitment is made. Unconditional promises are recognized at the estimated present value of the future cash flows using discount rates, net of allowances for doubtful accounts. The discounts are determined using a rate that is commensurate with the risks involved and applicable to the years in which the promises are received. The discount rates utilized were between 2.81% to 7.38% as of May 31, 2025 and 2024. Based upon historical pledge payments and current information, an allowance for doubtful accounts is determined. Account balances are charged off against the allowance when collection is considered remote. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as revenue with donor restrictions.

Student loans receivable, net – Student loans receivable are primarily amounts loaned to students under the Federal Perkins Loan Program, and Nursing Student Loans as well as institutional loan programs and are stated at their outstanding principal amount. Principal and interest payments on Federal loans generally do not commence until 9 months after the borrower graduates or 6 months after the individual otherwise ceases enrollment. Principal and interest payments on institutional loans generally do not commence until 6 months after the borrower graduates or otherwise ceases enrollment. Given the nature of the types of student loans receivable, federal loan programs and institutional loan program receivables are analyzed separately for credit losses.

The University estimates the allowance for credit losses on its student loans receivable using the current expected credit losses (CECL) methodology, which requires the University to estimate lifetime expected credit losses on its student loans receivable at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. The University employs a provisional loss rate approach to estimate the expected credit losses. Under this approach, the University segments the student loans portfolio based on shared risk characteristics, such as the type of loan (federal or institutional). For each segment, the University calculates an average loss rate based on historical default and recovery rates, adjusted for current conditions, and forward-looking information, including economic forecasts related to unemployment rates and inflation. The University continually monitors the appropriateness of its CECL methodology and makes adjustments as necessary to reflect the changes that may impact the student loan portfolio.

The notes receivable bear interest ranging from 3% to 7% and are generally repayable to the University over a period not to exceed ten years.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Property, plant, and equipment, net – Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation. The cost of improvements in excess of \$100 and all other property, plant, and equipment in excess of \$5 are capitalized. Property, plant, and equipment purchased in connection with a building acquisition or construction project but less than \$5 is also capitalized. Normal repair and maintenance expenses and minor equipment costs are expensed as incurred. Depreciation, except for land and collection of artworks, is provided for on a straight-line basis over the estimated useful lives of the respective assets as follows:

Land improvements	20–40 years
Buildings	20–50 years
Equipment and furniture	3–12 years
Library books	10 years

The University owns a collection of artwork that is held for public exhibition, education, and research rather than for financial gain. The collection of artwork is recorded at cost if purchased and at fair value if donated. Gains and losses from sales or insurance recoveries are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions. The collection of artwork is insured, protected, kept unencumbered, cared for, and preserved.

Asset retirement obligations include legal environmental obligations associated with the retirement of long-lived assets. These liabilities are recorded in accounts and other payables on the consolidated statements of financial position at fair value when incurred and are capitalized by increasing the carrying amount of the associated long-lived asset. Over time, the liability is accreted to its present value each period and the capitalized cost is depreciated on a straight-line basis through the estimated date of retirement. The liability is removed when the obligation is settled.

Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property, plant, and equipment are reported as revenues with donor restrictions. The restrictions are released when the long-lived assets are placed in service.

Deferred revenue and refundable advances – Deferred revenue includes tuition and other student deposits related to programs applicable to the next fiscal year, as well as grants and other payments received in advance of incurring related expenses. Deferred revenue is recognized ratably as revenue in the fiscal year that it is earned. Refundable advances consist of vendor incentive payments and are recognized as a reduction of operating expenses or recognized as revenue from other sources over the term of the agreements.

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Notes to Consolidated Financial Statements
(In thousands)

Long-term investments held in custody for others – The University manages certain investments on behalf of the Gonzaga Preparatory School Foundation and St. Aloysius Gonzaga Foundation, both charitable organizations organized to support other ministries of the society of Jesus within the Diocese of Spokane. The management of these investments is subject to agreements that governs the arrangements, including additions and redemptions. Additions buy an undivided beneficial ownership interest in the University's pooled endowment. Redemptions can be requested, in addition to the annual spending distribution, subject to the underlying liquidity of the endowment pool. A redemption request not to exceed 50% of the fair value of the undivided beneficial interest in the endowment pool will be distributed within 30 calendar days. A redemption request in excess of 50% and up to 80% of the fair value of the beneficial interest in the endowment pool may be subject to a longer redemption period informed by the liquidity of the underlying investments in the endowment pool and will be paid within 180 calendar days. A redemption request in excess of 80% of the fair value of the beneficial interest in the endowment pool shall be considered a full redemption and will lead to the complete redemption of all remaining units, paid within 180 calendar days. Long-term investments held in custody for others were \$23,559 and \$20,216 as of May 31, 2025 and 2024, respectively.

Leases – The University determines if an arrangement is or contains a lease at inception of the contract and classifies leases as either operating or finance depending upon the terms and conditions set forth in the contract. The University uses an incremental borrowing rate to determine the present value of lease payments when the implicit rate in the lease is not readily available. The current treasury rate and the University's current borrowing rate are factored into the incremental borrowing rate calculation.

The University recognizes operating lease expense within occupancy, utilities, and maintenance expense in the consolidated statements of activities on a straight-line basis over the lease term. On the consolidated statements of financial position, right-of-use assets represent the University's right to use the underlying assets for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability utilizing the effective interest method. The University's policy is not to record a right-of-use asset and lease liability for leases with terms less than one year. Upon adoption, the University elected not to reassess whether existing contracts contain leases, and not to reassess lease classification for leases that commenced before the adoption date of the new lease standard.

Finance lease assets are amortized on a straight-line basis within depreciation and amortization on the consolidated statements of activities over the lease term. Interest expense associated with finance leases is recorded using the effective interest method and is included in interest expense on the consolidated statements of activities. The University recognizes variable expenses, other than those related to rates or indices, in operating expenses in the period in which the obligation is incurred.

Gonzaga University
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(In thousands)

Revenue recognition – Student tuition, fees, and room and board are recognized in the period the services are provided. Institutional scholarships awarded to students reduce the amount of revenue recognized. Students who adjust their course load or withdraw completely within the first four weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Payments for tuition are due approximately three weeks prior to the start of the academic term. Unconditional grants, contracts, and contributions, including promises to give, are recognized in the period earned and are reported as increases in the appropriate category of net assets. Conditional or contingent grants and contributions are not recorded as revenue until the conditions on which they depend have been substantially met. Return on investments are recorded on the accrual basis of accounting. Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they are earned.

Functional allocation of expenses – The University's primary program activity is academic instruction and support. Facilities operation and maintenance, interest, and depreciation and amortization are allocated among functional classifications based on usage of space, square footage, building costs, and debt proceeds usage. Information technology costs are allocated based on software usage and the overall number of employees in the various functional categories. All other costs are charged directly to the appropriate functional category.

Advertising – Costs expensed for the years ended May 31, 2025 and 2024, were \$2,955 and \$2,294, respectively, and is recorded in professional fees and contracted services in the consolidated statements of activities.

Income taxes – The Internal Revenue Service (IRS) has recognized the Corporation and Foundation as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income under Sections 511 through 515. Unrelated business income tax, if any, is immaterial. As of May 31, 2025 and 2024, the University had no uncertain tax positions requiring accrual. The University may be subject to routine audit by the IRS; however, there are currently no audits for any tax periods in progress.

Operating and nonoperating activities – The University's measure of operating activities, presented in the consolidated statements of activities, includes all transactions that are incurred in the course of the normal business operations of the University. Nonoperating activities presented in the consolidated statements of activities include transactions that result from something other than the ongoing day-to-day activity of the University.

Concentrations of financial aid – A significant number of students attending the University receive financial assistance from the U.S. government student financial aid programs. These programs require the University to comply with recordkeeping, eligibility, and other requirements. Failure to comply with such U.S. government requirements could result in the loss of U.S. government financial assistance to the University's students and adversely impact the operations of the University.

Use of estimates – The preparation of the consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Subsequent events – Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before the consolidated financial statements are issued. The University recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University’s consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are issued.

The University has evaluated subsequent events through September 9, 2025, which is the date the consolidated financial statements were issued.

Note 3 – Accounts and Interest Receivable, Net

Accounts and interest receivable, net, consisted of the following as of May 31:

	2025	2024
Government grants	\$ 6,665	\$ 5,648
Student receivables	3,787	3,890
Miscellaneous receivables	2,367	5,190
Accrued interest receivable	353	347
	13,172	15,075
Less allowance for credit losses		
Beginning of year	(100)	(100)
Increase in provision	(77)	(83)
Write-offs, net of recoveries	77	83
End of year	(100)	(100)
Total	\$ 13,072	\$ 14,975

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Note 4 – Contributions Receivable, Net

Contributions receivable, net, at May 31 are expected to be realized in the following periods:

	<u>2025</u>	<u>2024</u>
In one year or less	\$ 23,527	\$ 16,908
Between one year and five years	21,536	16,017
More than five years	14,106	14,110
Less present value discounts	<u>(10,998)</u>	<u>(9,826)</u>
	48,171	37,209
Less allowance for doubtful accounts	<u>(684)</u>	<u>(703)</u>
Total	<u>\$ 47,487</u>	<u>\$ 36,506</u>

Contributions receivable, net, at May 31 are designated as follows:

	<u>2025</u>	<u>2024</u>
With donor restrictions for financial aid and program support	\$ 23,301	\$ 13,241
With donor restrictions for property, plant, and equipment	17,575	16,542
With donor restrictions for endowment financial aid and chairs	<u>6,611</u>	<u>6,723</u>
Total	<u>\$ 47,487</u>	<u>\$ 36,506</u>

Note 5 – Student Loans Receivable, Net

The University makes uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs and institutional resources.

Student loans receivable, net, consisted of the following as of May 31:

	<u>2025</u>	<u>2024</u>
Federal government programs	\$ 2,365	\$ 3,157
Institutional programs	<u>4,125</u>	<u>3,332</u>
	6,490	6,489
Less allowance for credit losses:		
Beginning of year	(205)	(135)
Increase in provision	<u>(5)</u>	<u>(70)</u>
End of year	<u>(210)</u>	<u>(205)</u>
Total	<u>\$ 6,280</u>	<u>\$ 6,284</u>

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

The University participates in the Perkins and Nursing federal revolving loan programs. The availability of funds for new loans under the programs is dependent on reimbursements to the programs from repayments on outstanding loans and the continuation of the program by the federal government. Outstanding loans cancelled under the programs result in a reduction of the funds available for new loans and a decrease in the liability to the government. Funds advanced by the federal government are ultimately refundable to the government. The liability due to the government was \$1,375 and \$2,368 at May 31, 2025 and 2024, respectively.

The University has been notified that the federal government will collect the federal share of the University's Perkins Loan Revolving Funds annually from the University as loans are paid back to the University by students. The University estimates the federal share will be returned to the government over the next 3-5 years.

At May 31, 2025 and 2024, the following amounts were past due under all student loan programs:

May 31,	1-59 Days Past Due	60-89 Days Past Due	90-119 Days Past Due	120-179 Days Past Due	180-729 Days Past Due	730+ Days Past Due	Total Past Due
2025	\$ -	\$ 3	\$ 2	\$ 2	\$ 77	\$ 296	\$ 380
2024	\$ -	\$ 4	\$ 1	\$ 1	\$ 78	\$ 280	\$ 364

Allowances for credit losses are established based on prior collection experience and current economic factors, which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. Institutional loan balances are written off only when they are deemed to be permanently uncollectible.

Note 6 – Investments

Short-term investments, at fair value, at May 31 are as follows:

	<u>2025</u>	<u>2024</u>
Fixed-income securities	<u>\$ 42,169</u>	<u>\$ 35,650</u>

Short-term investments consist of operating funds and funds held for fixed asset acquisition with the objectives of preserving principal, maintaining an appropriate degree of liquidity, and generating an appropriate risk-adjusted return.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Long-term investments, at fair value, at May 31 are as follows:

	2025	2024
Cash and cash equivalents	\$ 2,433	\$ 1,907
Equity securities	146,239	129,519
Fixed-income securities	58,704	57,684
Commingled equity and debt funds	61,215	62,172
Alternative investments	202,298	182,410
Direct real property investments	81,762	78,218
Split-interest agreements	15,885	14,276
Other	248	307
Total	\$ 568,784	\$ 526,493

Direct real property investments include gifted properties, three real property assets in downtown Seattle, Washington received through an estate gift, and an investment in a real estate joint venture which supports regional health science programs, including that of the University. As described in Note 1, the Seattle properties are held in separate single member LLCs, consisting of two parking garages and one surface parking lot, a portion of which is subject to a ground lease.

The University entered into a ground lease agreement in 2019 with an unrelated third-party entity to develop a portion of the surface parking lot into a proposed 340,000-square-foot multifamily residential housing facility. The City of Seattle issued a Master Use Permit for the project in September 2021. The issuance of the permit was challenged unsuccessfully to the City Hearing Examiner, to the Superior Court, and to the Washington Court of Appeals. With the issuance of the Master Use Permit and the end of all legal appeals, the lessee is now able to move forward with design and construction. The lessee may elect to terminate the ground lease, in its sole discretion, no later than December 31, 2026. The University has the right to terminate the lease if construction has not commenced by June 30, 2027. The lessee has forty-eight months from the start of construction to achieve substantial completion of the project. The University may terminate the ground lease if substantial completion is not achieved within this time period.

The annual ground lease payments are on a triple-net basis, subject to annual adjustment beginning in 2026, and reset every 20 years beginning with the initial reset of March 15, 2032. The ground lease will expire November 14, 2105. Upon the termination of the lease, all improvements will become the property of the University. The University has an end of term call right in the 70th and 75th year to buyout the ground lessee's interest in the improvements at the net present value of the anticipated remaining payments.

An initial deposit credit of \$600 is recorded in deferred revenues in the consolidated statements of financial position. If the lessee elects to terminate the lease prior to the completion of the improvements, the deposit will be retained by the University.

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Notes to Consolidated Financial Statements
(In thousands)

The total lease income recognized on the development ground lease for the years ended May 31, 2025 and 2024, was \$1,375 and \$1,352, respectively, and is recorded as return on investments in the consolidated statements of activities. Fixed and probable lease payments for the development ground lease expected to be received on an annual basis in each of the next five years is \$1,375, plus annual adjustments beginning in 2026, subject to the conditions noted above.

The University also has lease agreements with an unrelated third-party parking company to operate two parking garages, and the portion of the surface parking lot that is not part of the development ground lease. The surface parking lot is leased on a month-by-month basis and the two garage leases expire in January 2026, all of which can be terminated by either party at any time with notice. The total lease income recognized by the University on these agreements for the years ended May 31, 2025 and 2024, was \$3,664 and \$2,541, respectively, and is recorded as return on investments in the consolidated statements of activities.

Lease income is recognized on a straight-line basis over the fixed noncancelable term of the agreement. Variable lease income is recognized as return on investments in the period in which changes in facts and circumstances occur.

Expenses incurred for the management and operation of the Seattle properties are recognized on an accrual basis and are recorded as a reduction in the return on investments in the consolidated statements of activities.

Included in long-term investments, measured at net asset value practical expedient, are commingled equity funds and alternative investments as follows:

	<u>2025</u>	<u>2024</u>
Commingled equity and debt funds	\$ 61,215	\$ 62,172
Alternative investments		
Managed diversified global multi-asset fund	146,272	133,592
Private equity funds	25,366	21,471
Private credit funds	24,028	20,980
Real estate funds	5,323	5,310
Diversified fund of funds	<u>1,309</u>	<u>1,057</u>
	<u>202,298</u>	<u>182,410</u>
Total	<u>\$ 263,513</u>	<u>\$ 244,582</u>

Long-term investments are largely composed of donor-restricted, Board-designated funds, and co-investments directed by management. Long-term investments are managed within various investment portfolios. See Notes 7 and 8 for return objectives and risk parameters for such funds.

Gonzaga University
Notes to Consolidated Financial Statements
(In thousands)

Note 7 – Endowment

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund at May 31 is summarized as follows:

	2025				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift	Accumulated Return on Investments, Net of Distributions	Foundation Board- Designated (1)	
Board-designated funds	\$ 91,630	\$ -	\$ -	\$ 2,070	\$ 93,700
Donor-restricted funds	-	221,504	195,841	-	417,345
Underwater funds	-	550	(13)	-	537
Total	\$ 91,630	\$ 222,054	\$ 195,828	\$ 2,070	\$ 511,582

	2024				
	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift	Accumulated Return on Investments, Net of Distributions	Foundation Board- Designated (1)	
Board-designated funds	\$ 87,277	\$ -	\$ -	\$ 1,818	\$ 89,095
Donor-restricted funds	-	210,328	172,531	-	382,859
Underwater funds	-	4,339	(145)	-	4,194
Total	\$ 87,277	\$ 214,667	\$ 172,386	\$ 1,818	\$ 476,148

(1) Amounts shown as Board-designated funds with donor restrictions are Foundation assets restricted for use by the Gonzaga Law School Foundation.

Interpretation of relevant law – Under the Washington Uniform Prudent Management of Institutional Funds Act (WUPMIFA), the Board has adopted as policy for donor-restricted endowment funds the requirement to preserve the original fair value of the initial gift and any subsequent gifts (as of the respective gift date), along with any accumulations to the permanent endowment made at the direction of the donor, absent explicit donor stipulations to the contrary. Together, these amounts become the perpetual value of the funds. Net endowment return on investments that have not been appropriated for expenditure are classified as net assets with donor restrictions for time and purpose.

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In accordance with WUPMIFA, the University considers the following factors in making a determination to appropriate or accumulate income from donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation and depreciation of investments
- Other resources of the University
- The investment policies of the University

Return objectives and risk parameters – The University has adopted an investment and spending policy for endowment assets that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. The University’s goal for its endowment funds, over time, is to provide an average annualized return of approximately 5% in excess of the Higher Education Price Index (HEPI) over a market cycle of three to five years. To satisfy this goal, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University maintains a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy – The University has a policy of appropriating for expenditure amounts from its pooled endowment fund each year based upon a hybrid rate that is the sum of two components:

- 70% based upon the HEPI applied to the prior year endowment spending amount.
- 30% based upon a rate of 4% to 5% of a three-year rolling average of the fund’s total market value, measured quarterly.

Absent donor stipulations to the contrary, the University will not appropriate for expenditure from a permanent pooled endowment fund if such expenditure will result in the fair value of the fund falling below the original gift of the fund, measured as of June 30 of the fiscal year of appropriation.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration. Deficiencies of this nature reported in net assets with donor restrictions were \$13 and \$145 as of May 31, 2025 and 2024, respectively.

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Changes in endowment net assets are summarized as follows for the years ended May 31, 2025 and 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, May 31, 2023	\$ 81,922	\$ 351,898	\$ 433,820
Return on investments, net	8,720	39,902	48,622
Contributions and other additions	-	9,189	9,189
Amount distributed for operating activities	(3,466)	(12,202)	(15,668)
Transfers	101	84	185
Net assets, May 31, 2024	87,277	388,871	476,148
Return on investments, net	9,054	38,739	47,793
Contributions and other additions	-	8,095	8,095
Amount distributed for operating activities	(4,821)	(16,105)	(20,926)
Transfers	120	352	472
Net assets, May 31, 2025	<u>\$ 91,630</u>	<u>\$ 419,952</u>	<u>\$ 511,582</u>

Note 8 – Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques utilized maximize the use of observable inputs and minimize the use of unobservable inputs. Observable inputs are developed based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's own assumptions about market inputs based on its own data.

Assets and liabilities are classified in one of three categories as follows:

Level 1 – Inputs consist of quoted market prices in active markets for identical assets or liabilities the University has the ability to access at the measurement date.

Level 2 – Inputs consist of valuations other than quoted prices included in Level 1 that are observable by the University for the related asset or liability.

Level 3 – Inputs consist of unobservable valuations related to the asset or liability.

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The University uses the following methods and significant assumptions to estimate fair value, by level:

Level 1 assets include:

Mutual funds, index funds, cash and cash equivalents, and publicly traded stocks valued using active market exchange values of identical assets at the last reported sales price. These investments can be traded daily with trades settling between one and three days.

Level 2 assets and liabilities include:

- Investments in U.S. government and agency obligations, certificates of deposit, corporate bonds, municipal bonds, and asset-backed obligations. These investments use other observable inputs to measure fair value such as dealer market prices for comparable assets based on interest rates, spreads, and trade activity in the market.
- Investments in privately held stock valued using the market approach using recent sales.
- Certain investments in real property assets are valued using market quotations or tax assessed values that approximate fair values.

Level 3 assets include:

- Privately held stock valued based on the net asset value of the investment that approximates market value.
- Direct real property investments are valued based on independent appraisals of two parking garages and one surface lot, a portion of which is subject to a ground lease. The primary unobservable input for each of the parking garages, valued using an income approach, is the income capitalization rate, which was 7.52% for one garage and 5.69% for the other garage. A decrease of 0.25% in the underlying income capitalization rates would increase the fair value of the two parking garages by approximately \$1,139. An increase of 0.25% in the underlying income capitalization rates would decrease the fair value of the two parking garages by approximately \$1,052. The primary unobservable inputs for the surface parking lot, using a market approach, are the parameters associated with its future development, including the number of apartment units to be constructed, total developed square footage, and estimations of the revenue per square foot derived from market comparisons. The sensitivity associated with changes in these inputs is not quantified.
- Beneficial interests in the future cash flows of 11 different split-interest agreements are valued under the income approach, calculated using a discounted cash flow analysis based on the expected annuity payments to be made over the remaining life of each respective beneficial interest, utilizing a risk-free rate adjusted for the inherent risk of the assets held and the risk of nonperformance. The primary unobservable inputs for beneficial interests in split-interest agreements are the applicable discount rates that range from 4.39% to 8.07%, and applicable life expectancies that range from 6 to 45 years. A decrease of 1.0% in each of the underlying discount rates would increase the fair value by approximately \$1,898. An increase of 1.0% in each of the underlying discount rates would decrease the fair value by approximately \$1,433. The sensitivity associated with changes in life expectancies is not quantified.

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The following tables present assets and liabilities that are measured and carried at fair value on a recurring basis:

	May 31, 2025			Total
	Level 1	Level 2	Level 3	
Short-term investments				
Certificate of deposit	\$ -	\$ 5,182	\$ -	\$ 5,182
U.S. government and agency obligations	-	4,798	-	4,798
Corporate bonds	-	32,189	-	32,189
Total short-term investments	-	42,169	-	42,169
Long-term investments				
Cash and cash equivalents	2,433	-	-	2,433
Equity securities				
Mutual funds and index funds				
Domestic	81,602	-	-	81,602
International	51,495	-	-	51,495
Global	7,542	-	-	7,542
Direct ownership - public				
Domestic	5,515	-	-	5,515
International	85	-	-	85
Fixed income securities				
Mutual funds and index funds				
Domestic	55,192	-	-	55,192
International	3,512	-	-	3,512
Direct real property investments	-	1,073	80,689	81,762
Assets held under split-interest agreements				
Cash and cash equivalents	1,322	-	-	1,322
Equity mutual funds	7,949	-	-	7,949
Equity-direct ownership	2,713	-	-	2,713
Fixed income mutual funds	3,031	-	-	3,031
Fixed income-direct ownership	-	870	-	870
Other	242	6	-	248
Total long-term investments in fair value hierarchy	222,633	1,949	80,689	305,271
Beneficial interest in split-interest agreements held by others				
	-	-	10,733	10,733
Total assets in fair value hierarchy	\$ 222,633	\$ 44,118	\$ 91,422	\$ 358,173
Long-term investments measured at NAV practical expedient ⁽¹⁾				\$ 263,513

⁽¹⁾ In accordance with Subtopic 820-10, certain investments that are measured at net asset value (NAV) per share, using the practical expedient to estimate fair value, have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position and related notes.

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	May 31, 2024			Total
	Level 1	Level 2	Level 3	
Short-term investments				
U.S. government and agency obligations	\$ -	\$ 7,135	\$ -	\$ 7,135
Corporate bonds	-	28,294	-	28,294
Municipal bonds	-	221	-	221
Total short-term investments	-	35,650	-	35,650
Long-term investments				
Cash and cash equivalents	1,907	-	-	1,907
Equity securities				
Mutual funds and index funds				
Domestic	77,318	-	-	77,318
International	38,182	-	-	38,182
Global	7,232	-	-	7,232
Direct ownership - public and privately held stock				
Domestic	5,944	-	843	6,787
Fixed income securities				
Mutual funds and index funds				
Domestic	54,444	-	-	54,444
International	3,240	-	-	3,240
Direct real property investments	-	1,073	77,145	78,218
Assets held under split-interest agreements				
Cash and cash equivalents	1,114	-	-	1,114
Equity mutual funds	7,421	-	-	7,421
Equity-direct ownership	2,280	-	-	2,280
Fixed income mutual funds	2,857	-	-	2,857
Fixed income-direct ownership	-	604	-	604
Other	301	6	-	307
Total long-term investments in fair value hierarchy	202,240	1,683	77,988	281,911
Beneficial interest in split-interest agreements held by others	-	-	13,381	13,381
Total assets in fair value hierarchy	<u>\$ 202,240</u>	<u>\$ 37,333</u>	<u>\$ 91,369</u>	<u>\$ 330,942</u>
Long-term investments measured at NAV practical expedient ⁽¹⁾				<u>\$ 244,582</u>

⁽¹⁾ In accordance with Subtopic 820-10, certain investments that are measured at net asset value (NAV) per share, using the practical expedient to estimate fair value, have not been classified in the fair value hierarchy. The amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position and related notes.

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Following is a reconciliation of activity for the years ended May 31, 2025 and 2024, of assets classified as Level 3:

	Privately Held Stock	Direct Real Property Investments	Beneficial Interest in Split-Interest Agreements Held by Others	Total
Balance, May 31, 2023	\$ 843	\$ 74,249	\$ 13,853	\$ 88,945
Contributions	-	18	100	118
Return on investments	-	6,325	578	6,903
Return of capital	-	(3,447)	(1,150)	(4,597)
Balance, May 31, 2024	843	77,145	13,381	91,369
Return on investments	(843)	7,691	(1,255)	5,593
Return of capital	-	(4,147)	(1,393)	(5,540)
Balance, May 31, 2025	<u>\$ -</u>	<u>\$ 80,689</u>	<u>\$ 10,733</u>	<u>\$ 91,422</u>

Unrealized gains for investments classified as Level 3 were \$3,249 and \$3,202 for the years ended May 31, 2025 and 2024, respectively.

Redemption, funding commitments, restrictions, and other information associated with the nature and valuation of applicable investments are as follows:

	Fair Value at May 31, 2025	Unfunded Cash Commitments	Redemption Frequency (if Eligible)	Redemption Notice Period	Investment Strategies and Other Restrictions
Commingled equity funds	\$ 61,215	\$ -	(a)	(a)	(a)
Alternative investments					
Managed diversified global multi-asset fund	146,272	-	(b)	(b)	(b)
Private equity funds	25,366	6,622	(c)	n/a	(c)
Private credit funds	24,028	15,871	(d)	n/a	(d)
Real estate fund	5,323	-	(e)	(e)	(e)
Diversified fund of funds	1,309	39	(f)	(f)	(f)
	<u>202,298</u>	<u>22,532</u>			
Total long-term investments measured at NAV practical expedient	<u>\$ 263,513</u>	<u>\$ 22,532</u>			

- a) Four of the five commingled equity and debt funds in this category can be redeemed monthly with notice (ranging from 15 days to 31 days), and a fifth fund can be redeemed on a quarterly basis, unless any withdrawal from the funds would have a materially adverse effect on the fund. The funds' investment objective is to achieve long-term capital appreciation by investing in a portfolio of primarily international market companies, global companies, and global credit opportunities.

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- b) The University may receive up to 5.5% of this capital account balance in the fund as an automatic annual distribution. The election must be made in the first quarter of the calendar year preceding the first calendar year to which the distribution applies, and amounts will be distributed within 90 days of the end of the calendar year, or within ten business days after the fund's audited financial statements for the year are completed.

For distributions in excess of the automatic annual distribution, the University may request the withdrawal of all or a portion of its capital account, with a minimum withdrawal of at least \$1,000, on the last day of any calendar year by providing a withdrawal request at any time during the fourth quarter of the preceding calendar year. The amount requested to be withdrawn will be apportioned between the liquid portion and limited liquidity portion of the University's capital account, as determined based on the liquidity attributes of the underlying fund investments. As of May 31, 2025, the value of the liquid portion is \$5,935. The fund will make a distribution within 30 days after the effective withdrawal date in an amount not less than 90% of the liquid portion, with the remaining liquid portion amount paid subsequent to the fund's financial statement audit. For withdrawal amounts attributable to the limited liquidity portion, distributions will be made within 45 days after the realization or deemed realization of assets held in that account. Distributions may be made in cash, fund assets, or both. The fund general partner can also suspend the rights of the University and other limited partners to make withdrawals or receive distributions for all or part of any period of market disruption. The fund general partner may also limit withdrawals such that they do not exceed 15% of the liquid subaccount balance.

The fund's objective is to manage and grow long-term capital with equity-like annual returns of 10%–12% over time, with lower-than-average risk, with investments in private and public equity, real estate, fixed income, natural resources, and uncorrelated.

- c) This category includes eight private equity funds that invest in privately held entities with potential for significant growth in revenue and earnings, including one impact fund focused on investments that have a positive societal (i.e. social and/or environmental) impact, and one sustainable real assets fund. Each fund is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. It is estimated that the underlying assets of the funds will be liquidated between 2025 and 2035.
- d) This category includes six private credit funds, including a mezzanine debt fund, three special opportunities funds, an upper-middle market direct lending fund, and a European direct fund. Each fund has the objective to invest in debt and debt-like preferred securities of companies, primarily to generate interest income, within the mandate of the respective fund. Each fund is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. Distributions are received through the liquidation of the underlying assets of the funds. It is estimated the underlying assets of these funds will be liquidated between 2025 and 2029.

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- e) This category includes a real estate fund primarily invested in U.S. commercial and residential real estate with the objective to invest in real estate assets to generate capital appreciation and operating income. Investments in the fund can be redeemed with at least 90-day notice, as liquid assets in the fund permits.
- f) This category includes one private equity fund with underlying investments in direct private equity and private equity funds. Each fund has the objective to generate capital appreciation at a rate in excess of that historically generated by investments in publicly traded equity securities. The funds can only be redeemed through the liquidation of underlying assets, and as underlying assets are liquidated, distributions are received. It is estimated that the underlying assets of the illiquid funds will be liquidated between 2025 and 2026.

Valuation of alternative investments – Alternative investments that are not readily marketable or redeemable are valued utilizing the most current information provided by the fund managers using the net asset value (NAV) per share of the respective fund as a practical expedient to estimate the fair value of the University’s interest in the respective fund. The NAV is determined in accordance with a fund’s policies as described in their respective financial statements and offering memoranda. The most recent NAV reported, which in most instances is as of March 31 of the respective fiscal year, is adjusted for any investment-related transactions such as capital calls or distributions and significant known valuation changes of its related portfolio through May 31 of the respective fiscal year. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

Valuation limitations – The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Note 9 – Property, Plant, and Equipment, Net

Components of property, plant, and equipment, net, at May 31 are as follows:

	2025	2024
Land	\$ 13,283	\$ 12,807
Land improvements	9,171	9,105
Buildings	554,030	533,582
Equipment and furniture	52,743	49,945
Collection of artwork	5,916	5,721
Library books	6,027	5,926
Construction in progress	6,325	16,801
	647,495	633,887
Less accumulated depreciation	(245,008)	(228,256)
Total	\$ 402,487	\$ 405,631

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Construction in progress consisted of the following major projects during the years ended May 31:

Project	Cost to Date May 31, 2024	Current Year Additions	Placed into Service	Cost to Date May 31, 2025
Manresa Hall Renovations	\$ 76	\$ 1,463	\$ -	\$ 1,539
Mantua Hall	11,008	4,222	(15,230)	-
All other projects	5,717	4,523	(5,454)	4,786
Total	\$ 16,801	\$ 10,208	\$ (20,684)	\$ 6,325

Project	Cost to Date May 31, 2023	Current Year Additions	Placed into Service	Cost to Date May 31, 2024
Scott and Liz Morris Family Indoor Training Facility	\$ 3,038	\$ 10,392	\$ (13,430)	\$ -
Mantua Hall	629	10,379	-	11,008
All other projects	2,916	5,433	(2,556)	5,793
Total	\$ 6,583	\$ 26,204	\$ (15,986)	\$ 16,801

Note 10 – Lines of Credit

The University has committed lines of credit with separate banks. Any outstanding balance is due on or before the termination of these agreements. The lines of credit consist of the following:

Line of Credit	Total Available Credit	Rate	Term	Security	Balance at May 31, 2025	Balance at May 31, 2024
Revolving operating	\$ 15,000	Prime minus a margin based on the University's credit rating (2.00%); floor of 0.50%; 5.50% as of May 31, 2025, subject to an unused fee of 0.10%	2/28/2028	Parity lien on gross revenue without donor restriction, as defined in the loan agreement	\$ -	\$ -
Revolving operating	10,000	30 day average secured overnight financing rate plus 1.85%, floor of 4.00%; 6.16% as of May 31, 2025	12/1/2025	Parity lien on gross revenue without donor restriction, as defined in the loan agreement	-	-

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Note 11 – Deferred Revenues and Refundable Advances

Deferred revenues and refundable advances consisted of the following:

	Balance at May 31, 2024	Revenue Recognized	Cash Received in Advance of Performance	Balance at May 31, 2025
Tuition	\$ 12,998	\$ 12,998	\$ 12,456	\$ 12,456
Refundable advances	6,209	1,463	-	4,746
Total	\$ 19,207	\$ 14,461	\$ 12,456	\$ 17,202

	Balance at May 31, 2023	Revenue Recognized	Cash Received in Advance of Performance	Balance at May 31, 2024
Tuition	\$ 14,413	\$ 14,413	\$ 12,998	\$ 12,998
Refundable advances	7,824	1,615	-	6,209
Total	\$ 22,237	\$ 16,028	\$ 12,998	\$ 19,207

Refundable advances consist of vendor incentive payments. The balance of refundable advances will be recognized as a reduction of operating expenses or as revenue from other sources during the terms of the agreements that expire through 2029.

Note 12 – Leases

The University is the lessee in three operating leases. One lease expires in 2031 and is for the rental of land occupied by an apartment building constructed by the University. Another operating lease is for the rental of academic exhibit space. This lease was terminated early during the current year resulting in a loss of \$145 recorded in the consolidated statement of activities. This loss represents the difference between the carrying amount of the right-of-use asset and the lease liability at the termination date and a termination penalty. The impact on the right-of-use asset and lease liability were decreases of \$111 and \$108, respectively. The other operating lease is for the rental of space and tenant improvements in a new facility constructed by a third-party developer adjacent to the University's Spokane campus. This facility is the home of the Spokane operations of the University of Washington School of Medicine and the University's School of Health Sciences. The University's rental area is 31,743 square feet which represents 36% of the total rentable area of 88,209 square feet. Provided certain conditions are met, the University has the right of opportunity to purchase the building, if at any time during the lease term and extension periods, the landlord intends to offer the building for sale to third-parties or accepts an offer of a third-party to purchase the building. During the initial lease term, the annual lease payments range from \$1,654 to \$2,170, plus common area charges. The initial lease expires in 2034 with five extension options to extend the term for a period of five years per option period. The University is not reasonably certain to exercise the options to extend, therefore, the options are not included in the lease liability.

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As of May 31, 2025 and 2024, the University recognized an operating lease liability of \$16,201 and \$17,574, respectively, with a corresponding right-of-use asset of \$15,591 and \$17,135, respectively, based on the present value of the minimum rental payments. Cash payments for amounts included in the measurement of lease liabilities were \$1,880 and \$1,838 for the years ended May 31, 2025 and 2024, respectively, and are reflected within cash flows from operating activities on the consolidated statement of cash flows. The weighted average discount rate is 3.62% as of May 31, 2025 and 2024, and the weighted average remaining lease term is 8.9 years and 9.8 years as of May 31, 2025 and 2024, respectively.

The University is the lessee in six finance leases. One lease is for the rental of an apartment complex that expires in 2093. The other five finance leases are for the rental of equipment that expire in various years through 2029.

As of May 31, 2025 and 2024, the University recognized a finance lease liability of \$2,902 and \$3,298, respectively, with a corresponding right-of-use asset of \$2,783 and \$3,208, respectively, based on the present value of the minimum rental payments. Cash payments for amounts included in the measurement of lease liabilities were \$1,043 and \$1,079 for the years ended May 31, 2025 and 2024, respectively, and are reflected within cash flows from operating activities of \$110 and \$131, respectively, and cash flows from financing activities of \$933 and \$948, respectively, on the consolidated statement of cash flows. The weighted average discount rate is 3.61% and 3.49% as of May 31, 2025 and 2024, respectively and the weighted average remaining lease term is 12.2 years and 11.8 years as of May 31, 2025 and 2024, respectively.

Lease costs recognized in the consolidated statements of activities as of May 31 are as follows:

	<u>2025</u>	<u>2024</u>
Finance lease cost		
Amortization of right-of-use asset	\$ 962	\$ 1,013
Interest on lease liabilities	110	131
Operating lease cost	2,049	2,049
Variable lease cost	21	18
Short-term lease cost	<u>68</u>	<u>170</u>
Total lease cost	<u>\$ 3,210</u>	<u>\$ 3,381</u>

Future minimum lease payments are as follows:

<u>Years Ending May 31,</u>	<u>Finance</u>	<u>Operating</u>
2026	\$ 833	\$ 1,841
2027	724	1,885
2028	724	1,931
2029	502	1,977
2030	30	2,025
Thereafter	<u>1,897</u>	<u>9,526</u>
Total minimum lease payments	4,710	19,185
Amounts representing interest	<u>(1,808)</u>	<u>(2,984)</u>
Present value of net minimum lease payments	<u>\$ 2,902</u>	<u>\$ 16,201</u>

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Note 13 – Bonds Payable

Bonds payable consisted of the following as of May 31:

	2025	2024
Taxable bonds		
Series 2019 B	\$ 13,680	\$ 15,200
Series 2016 A	108,275	108,275
Series 2013 B	20,000	20,000
Tax exempt bonds		
Series 2023	32,030	32,030
Series 2022	9,475	9,475
Series 2019 A	44,685	44,685
	228,145	229,665
Unamortized net premium	825	879
Unamortized debt issuance costs	(1,861)	(1,964)
	\$ 227,109	\$ 228,580
Total		

The Series 2019 B taxable bonds, issued through Washington Higher Education Facilities Authority (WHEFA), have an original issuance of \$30,315 and were issued in conjunction with the Series 2019 A bonds. Interest rates are fixed and range from 1.896% to 2.889%. Principal payments began in 2020 with final maturity in 2034 and the bonds have an optional make-whole call.

The Series 2016 A taxable bonds have an original issuance of \$108,275. The interest rate is fixed at 4.158%. Principal payments begin in 2044 with final maturity in 2046 and the bonds have an optional make-whole call.

The Series 2013 B taxable bonds, issued through WHEFA, have an original issuance of \$20,000. The interest rate is fixed at 6.00%. Principal payments begin in 2039 with final maturity in 2040 and the bonds have an optional make-whole call.

The Series 2023 tax-exempt bonds, issued through WHEFA, have an original issuance of \$32,030. The interest rate is fixed at 4.00%. Principal payments begin in 2041 with final maturity in 2043 and the bonds have a par call in 2033. The Series 2023 bonds were used to call the 2013 A bonds.

The Series 2022 tax-exempt bonds, issued through WHEFA, have an original issuance of \$9,475. The interest rate is fixed at 4.00%. The principal amount is due in 2047 and the bonds are callable at par in fiscal year 2032.

The Series 2019 A tax-exempt bonds, issued through WHEFA, have an original issuance of \$44,685 and were issued in conjunction with the Series 2019 B bonds. The interest rate is fixed at 3.00%. The principal amount is due in 2049 and the bonds are callable at par in fiscal year 2030.

The taxable bonds and tax exempt bonds are secured on a parity basis by a pledge of, and lien on, all gross revenues without donor restrictions, as defined in the loan agreement.

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Scheduled principal payments on bonds payable are as follows:

<u>Years Ending May 31,</u>	<u>Principal</u>
2026	\$ 1,520
2027	1,520
2028	1,520
2029	1,520
2030	1,520
Thereafter	<u>220,545</u>
	228,145
Unamortized net premium	825
Unamortized debt issuance costs	<u>(1,861)</u>
Total	<u><u>\$ 227,109</u></u>

Gonzaga University
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(In thousands)

Note 14 – Net Assets

The University's net assets were available for the following purposes at May 31:

	2025	2024
Without donor restrictions		
Available for operations	\$ 95,851	\$ 94,858
Property, plant, and equipment	167,894	169,689
Board-designated quasi-endowment for financial aid	43,856	42,152
Board-designated quasi-endowment for general support	33,866	32,140
Board-designated quasi-endowment for program support	13,908	12,985
Board-designated for investment in property, plant, and equipment	145	145
Total without donor restrictions	\$ 355,520	\$ 351,969
With donor restrictions for time or purpose		
Unappropriated donor-restricted endowment earnings	\$ 195,828	\$ 172,386
Program support	52,511	32,739
Financial aid	10,184	5,296
Property, plant, and equipment	7,770	5,632
Life income funds	2,135	3,216
Board-designated quasi-endowment for Foundation	2,070	1,818
Academic chairs	1,695	2,039
Annuities	961	870
Student loan program	12	12
Total with donor restrictions for time or purpose	\$ 273,166	\$ 224,008
With donor restrictions in perpetuity		
Financial aid	\$ 156,741	\$ 150,547
Program support	29,777	28,023
Academic chairs	21,447	21,457
Split-interest agreements	10,945	11,521
Student loan program	3,144	3,119
Total with donor restrictions in perpetuity	\$ 222,054	\$ 214,667

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Note 15 – Financial Assets and Liquidity Resources

The following table reflects the University’s financial assets, reduced by amounts not available for general expenditures within one year. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of non-liquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for nonoperating activities, amounts limited by the University’s Board of Trustees, student loans receivable, deposits with bond trustees, and assets held by others. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and Board-designated endowments, contributions without donor restrictions, and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. The University considers all expenditures related to its operating activities that are incurred in the course of the normal business operations of the University to be general expenditures.

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 70,971	\$ 59,261
Short-term investments	42,169	35,650
Accounts and interest receivable, net	13,072	14,975
Contributions receivable, net	47,487	36,506
Student loans receivable, net	6,280	6,284
Deposits with bond trustees	3	1,056
Long-term investments	568,784	526,493
Beneficial interest in split-interest agreements held by others	10,733	13,381
	<u>759,499</u>	<u>693,606</u>
Less financial assets unavailable for general expenditure within one year		
Accounts receivable beyond one year	1,043	889
Contributions receivable collectible beyond one year	25,327	20,507
Student loan receivable restricted for financial aid purposes	6,280	6,284
Deposits with bond trustees restricted for construction or debt service	3	1,056
Other assets with donor, contractual, or board restrictions for construction	3,652	3,194
Endowment assets, net of appropriation for next fiscal year	483,858	448,778
Long-term investments held in custody for others	23,559	20,216
Non-endowment investments beyond one year	8,971	9,891
Assets held by others	10,733	13,381
	<u>563,426</u>	<u>524,196</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 196,073</u>	<u>\$ 169,410</u>

The University’s practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due. In addition to financial assets available to meet general expenditures over the next year, the University’s goal is to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the consolidated statements of cash flows, which illustrates the sources and uses of the University’s cash provided by operating activities for the years ended May 31, 2025 and 2024.

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Cash in excess of daily requirements is typically invested in short-term, liquid securities. The University also has \$25,000 in committed lines of credit. The outstanding advances against the lines of credit for the years ended May 31, 2025 and 2024, were \$0 for both years. Included in endowment assets, net of appropriation for next fiscal year, the University has \$91,630 and \$87,277 in Board-designated endowment as of May 31, 2025 and 2024, respectively. These funds remain available and may be spent at the discretion of the Board. The University maintains sufficient liquidity within the endowment to cover Board-designated amounts, funding commitments, and appropriations for spending distributions. Outstanding funding commitments are \$22,532 and may be called by the investment manager at any time (see Note 8).

Note 16 – Expenses by Natural and Functional Classification

Expenses by natural and functional classification for the year ended May 31, 2025, were as follows:

	Program Activities		Supporting Activities			Total Expense
	Academic Instruction & Support	Student Services & Auxiliaries	Administrative Support	Fundraising	Facilities Operation & Maintenance	
Salaries, wages, and benefits	\$ 102,601	\$ 45,822	\$ 25,087	\$ 3,670	\$ 11,232	\$ 188,412
Professional fees and contracted services	13,276	15,183	2,541	228	455	31,683
Occupancy, utilities, and maintenance	6,787	3,955	3,591	196	9,123	23,652
Depreciation and amortization	7,572	9,571	1,992	11	284	19,430
Meetings, travel, and memberships	3,761	9,480	2,098	584	35	15,958
Materials, supplies, printing, and postage	5,266	2,357	1,257	394	2,520	11,794
Interest	2,526	5,324	860	-	138	8,848
Other expenses	882	3,778	1,139	552	32	6,383
	142,671	95,470	38,565	5,635	23,819	306,160
Facilities operation and maintenance	9,399	11,764	2,352	304	(23,819)	-
Total operating expenses	<u>\$ 152,070</u>	<u>\$ 107,234</u>	<u>\$ 40,917</u>	<u>\$ 5,939</u>	<u>\$ -</u>	<u>\$ 306,160</u>

Expenses by natural and functional classification for the year ended May 31, 2024, were as follows:

	Program Activities		Supporting Activities			Total Expense
	Academic Instruction & Support	Student Services & Auxiliaries	Administrative Support	Fundraising	Facilities Operation & Maintenance	
Salaries, wages, and benefits	\$ 96,828	\$ 43,399	\$ 24,187	\$ 3,807	\$ 11,127	\$ 179,348
Professional fees and contracted services	13,500	13,962	3,238	231	335	31,266
Occupancy, utilities, and maintenance	6,002	3,686	3,143	161	7,655	20,647
Depreciation and amortization	7,293	8,897	2,894	-	148	19,232
Meetings, travel, and memberships	3,704	9,241	1,939	754	34	15,672
Materials, supplies, printing, and postage	5,454	2,653	1,135	439	2,038	11,719
Interest	2,524	5,565	859	-	138	9,086
Other expenses	894	2,703	1,472	547	11	5,627
	136,199	90,106	38,867	5,939	21,486	292,597
Facilities operation and maintenance	8,208	9,868	3,069	341	(21,486)	-
Total operating expenses	<u>\$ 144,407</u>	<u>\$ 99,974</u>	<u>\$ 41,936</u>	<u>\$ 6,280</u>	<u>\$ -</u>	<u>\$ 292,597</u>

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Note 17 – Retirement Plans

Retirement benefits are provided to all employees (excluding students) working a minimum of 1,000 hours per year under a 403(b) defined-contribution plan (Plan). Beginning the first day of the month following one year of service, eligible employees are required to contribute 5% of their salary and the University contributes 8.5%. All contributions vest immediately and are subject to annual IRS limitations. The Plan is administered by TIAA and offers a variety of investment options from TIAA and other funds. The University's expense for the Plan was \$9,486 and \$8,934 for the years ended May 31, 2025 and 2024, respectively.

The University maintains two 457(b) supplemental deferred compensation plans funded by highly compensated employee pre-tax dollar contributions. The original plan was frozen to new participants on December 31, 2016. The second plan commenced on January 1, 2017. Voluntary employee contributions and accumulated earnings to the 457(b) plans of \$5,437 and \$4,982 as of May 31, 2025 and 2024, respectively, are included in long-term investments and accrued benefits payable. By IRS regulations, these funds are considered to be assets of the University until distributed to participants.

The University maintains a 457(f) non-qualified deferred compensation plan funded by the University. The purpose of the plan is to permit certain employees selected by the Board of Trustees to accumulate deferred compensation. The plan covers employees who are among a select group of management or highly compensated employees. All amounts previously deferred and vested were distributed to participants in January 2024. The University's expense for the plan was \$0 and \$208 for the years ended May 31, 2025 and 2024, respectively. As of May 31, 2025 and 2024, there were no accrued liabilities or plan-related investments recorded in the University's financial statements.

Note 18 – Commitments and Contingencies

Commitments – The University has obtained or has plans to obtain the necessary funding for the acquisition, construction, renovation, and furnishing of certain facilities that will be capitalized in the applicable capital asset categories upon completion. Management estimates that the University has sufficient resources available and/or future resources identified to satisfactorily complete the construction of such projects, which are expected to be completed in varying phases over the next one or two years, at an estimated unexpended cost of \$7,321. Of the unexpended balance, the University has remaining commitment balances of \$7,321 with certain engineering firms, construction contractors, and vendors related to these projects. Retainages payable on these capitalized projects as of May 31, 2025, was \$0.

Gonzaga University has an agreement with the University of Washington, an institution of higher education and an agency of the state of Washington, School of Medicine to provide faculty, student support services, and facilities for the University of Washington School of Medicine – Gonzaga University Health Partnership. The program expands the University of Washington's Washington, Wyoming, Alaska, Montana, and Idaho medical education program in Spokane, with an emphasis in meeting the needs of rural and medically underserved communities in eastern Washington. The agreement is effective until June 30, 2034, with automatic renewals for two-year terms thereafter, unless the parties terminate the agreement via written mutual agreement or written notice of termination, by either party, 24 months in advance.

Gonzaga University
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(In thousands)

Contingencies – From time to time, the University is subject to legal proceedings and claims that arise in the ordinary course of its business. In the opinion of management, the results of these matters will not have a significant impact on the consolidated financial statements.

The University receives and expends monies under federal grant programs and is subject to audits by governmental agencies. The University believes that any liabilities resulting from such audits would not have a material impact on the consolidated financial statements of the University.

The University's grant funding is subject to various risks, including changes in government policy and executive orders issued by federal, state, or local authorities. These policies and executive orders may result in additional modifications, delays, or cancellations of grant funding programs that could adversely impact the University's ability to fulfill its commitments under existing grants. Additionally, the regulatory environment surrounding intercollegiate athletics, with respect to student-athlete compensation for Name, Image, and Likeness (NIL) rights continues to evolve. Recent federal actions and related regulatory initiatives may change the University's responsibilities or funding associated with NIL activities. The University continues to monitor developments in NIL regulations and has implemented policies and procedures to mitigate these risks.

The University has assessed these risks and believes that any potential impact from such executive orders and policies related to grants and NIL is uncertain. The ultimate effect on the University's financial position and results of operations will depend on future governmental actions and the timing of their implementation. The University will continue to monitor developments related to these executive orders and policy changes and will take appropriate actions as necessary.

Note 19 – Related-Parties

Unsecured contributions receivable and contributions revenue includes amounts from the Board of Trustees as listed below at May 31:

	<u>2025</u>	<u>2024</u>
Contributions receivable	\$ 22,446	\$ 21,750
Contributions revenue	3,480	552

Mission Statement

Gonzaga University is an exemplary learning community that educates students for lives of leadership and service for the common good.

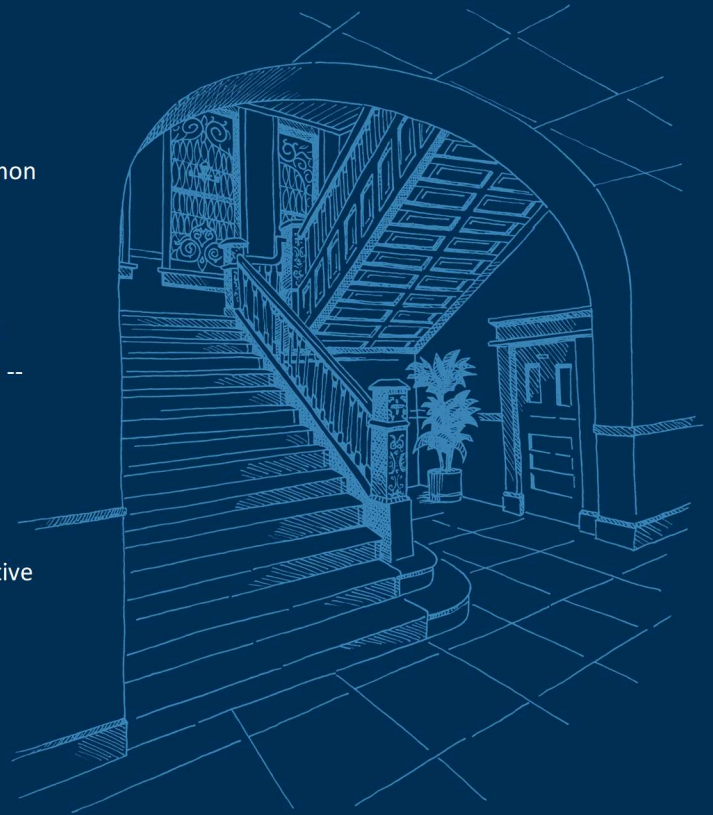
In keeping with its Catholic, Jesuit, and humanistic heritage and identity, Gonzaga models and expects excellence in academic and professional pursuits and intentionally develops the whole person -- intellectually, spiritually, culturally, physically, and emotionally.

Through engagement with knowledge, wisdom, and questions informed by classical and contemporary perspectives, Gonzaga cultivates in its students the capacities and dispositions for reflective and critical thought, lifelong learning, spiritual growth, ethical discernment, creativity, and innovation.

The Gonzaga experience fosters a mature commitment to dignity of the human person, social justice, diversity, intercultural competence, global engagement, solidarity with the poor and vulnerable, and care for the planet. Grateful to God, the Gonzaga community carries out this mission with responsible stewardship of our physical, financial, and human resources.

Vision Statement

Gonzaga is a premier liberal arts-based University recognized nationally for providing an exemplary Jesuit education that empowers its graduates to lead, shape, and serve their chosen fields and the communities to which they belong.



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