



# Financial Report 2024-25

OFFICE OF FINANCE

## MISSION STATEMENT

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

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



## OFFICE OF FINANCE AND ADMINISTRATION

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# Report of Independent Auditors

The Board of Trustees  
University of Puget Sound

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of the University of Puget Sound and subsidiary (the University), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2025, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### Basis for Opinion

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

### Responsibilities of Management for the Consolidated Financial Statements

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

### Supplementary Information

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

### Other Matter

We have previously audited the University's 2024 consolidated financial statements, and our report dated November 18, 2024, expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Baker Tilly US, LLP*

Seattle, Washington  
November 21, 2025

# UNIVERSITY OF PUGET SOUND Consolidated Statements of Financial Position

As of June 30, 2025 (With Comparative Financial Information as of June 30, 2024)

(Dollars in Thousands)

	2025	2024
<b>ASSETS:</b>		
Cash and cash equivalents (Note 1)	\$ 41,244	\$ 45,970
Short-term investments (Note 1)	12,684	16,124
Receivables, net	2,548	1,728
Note receivable, net (Note 1)	3,327	-
Contributions receivable, net (Notes 1 and 2)	9,893	11,768
Inventories (Note 1)	338	352
Prepaid expenses and other assets	2,360	8,132
Student loans receivable, net (Note 1)	1,975	2,704
Beneficial interest in outside trusts (Note 1)	1,196	1,162
Assets held under split-interest agreements (Note 1)	3,863	4,831
Endowment investments (Notes 1, 3 and 4)	499,896	471,468
Intangible assets, net (Notes 1 and 5)	8,964	9,256
Assets restricted for investment in campus facilities	404	-
Campus facilities, net (Notes 1 and 5)	171,588	176,935
<b>Total assets</b>	<b>\$ 760,280</b>	<b>\$ 750,430</b>
<b>LIABILITIES AND NET ASSETS:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 1,231	\$ 2,420
Accrued payroll and other liabilities (Note 10)	17,428	16,831
Advance deposits from students and deferred revenue (Note 1)	2,141	1,712
Liabilities under split-interest agreements (Note 1)	1,586	2,418
Government advances for student loans (Note 1)	2,580	3,471
Asset retirement obligation (Notes 1 and 5)	2,910	2,677
Long-term debt, net (Note 6)	61,749	62,786
<b>Total liabilities</b>	<b>\$ 89,625</b>	<b>\$ 92,315</b>
<b>Net Assets:</b>		
Net assets without donor restrictions:		
Invested in or designated for campus facilities	110,718	116,116
Endowment (Note 4)	146,411	142,886
Designated for other specific purposes	38,503	42,341
<b>Total net assets without donor restrictions</b>	<b>295,632</b>	<b>301,343</b>
<b>Net assets with donor restrictions (Note 9)</b>	<b>375,023</b>	<b>356,772</b>
<b>Total net assets</b>	<b>670,655</b>	<b>658,115</b>
<b>Total liabilities and net assets</b>	<b>\$ 760,280</b>	<b>\$ 750,430</b>

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

# UNIVERSITY OF PUGET SOUND Consolidated Statements of Activities

For the Year Ended June 30, 2025 (With Summarized Financial Information for the Year Ended June 30, 2024)

(Dollars in Thousands)

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2025	2024
Operating:				
Revenues and gains:				
Student tuition and fees	\$ 109,309	-	\$ 109,309	\$ 106,816
Less student financial aid	(57,862)	-	(57,862)	(52,976)
Net tuition and fees	51,447	-	51,447	53,840
Student room and board	19,336	-	19,336	18,345
Other auxiliary enterprises	4,406	-	4,406	4,009
Governmental grants and contracts	103	\$ 1,951	2,054	2,628
Contributions	2,431	2,297	4,728	7,920
Endowment income and gains distributed (Note 4)	10,843	15,237	26,080	26,131
Other sources	3,325	62	3,387	3,604
Total operating revenues and gains	91,891	19,547	111,438	116,477
Expenses:				
Educational and general:				
Instruction	46,000	-	46,000	42,880
Academic support	9,844	-	9,844	9,728
Student services	20,439	-	20,439	19,895
Institutional support	18,706	-	18,706	17,770
Total educational and general expenses	94,989	-	94,989	90,273
Auxiliary enterprises	22,780	-	22,780	22,738
Total operating expenses	117,769	-	117,769	113,011
Net assets released from restrictions	19,397	(19,397)	-	-
Increase (decrease) in net assets from operating activities	(6,481)	150	(6,331)	3,466
Nonoperating:				
Contributions	-	2,845	2,845	4,815
Change in allowance for uncollectible promises (Note 2)	-	13	13	(247)
Net gains and income on endowment investments, net of distributions (Note 4)	1,219	15,701	16,920	15,466
Loss on debt and swap extinguishment	-	-	-	(85)
Loss on sale of other investments	-	(1,473)	(1,473)	-
Other adjustments and changes	(457)	1,023	566	(1,819)
Net assets released from restrictions	8	(8)	-	-
Increase in net assets from nonoperating activities	770	18,101	18,871	18,130
Increase (decrease) in net assets	(5,711)	18,251	12,540	21,596
Net assets at beginning of the year	301,343	356,772	658,115	636,519
Net assets at end of the year	\$ 295,632	\$ 375,023	\$ 670,655	\$ 658,115

# UNIVERSITY OF PUGET SOUND Consolidated Statements of Cash Flows

For the Year Ended June 30, 2025 (With Comparative Financial Information for the Year Ended June 30, 2024)

(Dollars in Thousands)

	2025	2024
Cash flows from operating activities:		
Change in net assets	\$ 12,540	\$ 21,596
Adjustments to reconcile change in net assets to net cash provided by and (used in) operating activities:		
Depreciation and amortization	9,243	9,424
Contributions restricted for long-term investment	(4,056)	(5,295)
Gifts of investments, property, and outside trusts	-	(16)
(Gains) on endowment investments and split-interest agreements	(42,947)	(41,192)
Actuarial adjustments of liabilities under split-interest agreements	(739)	78
Loss on debt extinguishment	-	54
Amortization of tax-exempt bond premium, discount, and issuance costs	(195)	(195)
Accretion, settlement, and adjustments to asset retirement obligations	233	231
Unrealized gain on interest rate swap agreements	-	(2,323)
Changes in:		
Receivables, net	(4,147)	(702)
Contributions receivable, net	1,875	(1,710)
Inventories, prepaid expenses, and other assets	5,787	(312)
Accounts payable	(77)	(436)
Accrued payroll and other liabilities	596	506
Advance deposits from students	429	(380)
Net cash (used in) operating activities	(21,458)	(20,672)
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	39,469	43,680
Purchases of investments	(23,983)	(25,175)
Net sales (purchases) of short-term investments	3,440	7,159
(Purchases) of assets restricted for investment in campus facilities	(404)	-
Purchases of campus facilities and intangibles	(4,714)	(5,135)
Repayments of Perkins loans from students	650	961
Net cash provided from investing activities	14,458	21,490
Cash flows from financing activities:		
Contributions restricted for long-term investment	4,056	5,295
Investment (loss)/income subject to split-interest agreements	188	(71)
Payments to split-interest agreement beneficiaries	(316)	(382)
Proceeds from long-term debt	-	29,689
Bonds cost of issuance	-	(288)
Repayments of long-term debt	(842)	(29,686)
Changes in government advances for student loans	(812)	(831)
Net cash from financing activities	2,274	3,726
Net (decrease) increase in cash and cash equivalents	(4,726)	4,544
Cash and cash equivalents at beginning of the year	45,970	41,426
Cash and cash equivalents at end of the year	\$ 41,244	\$ 45,970
Supplemental cash flow information:		
Interest paid (net of capitalized interest, \$0 for both 2025 and 2024)	\$ 2,026	\$ 1,934
Noncash investing and financing activities:		
Purchases of equipment and building construction on account	\$ 138	\$ 1,247
Student loan cancellations	\$ 79	\$ 75

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

For the Year Ended June 30, 2025 (With Comparative Financial Information for the Year Ended June 30, 2024)

(Dollars in Thousands)

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

	2025	2024
Endowment investments, beginning of the year	\$ 471,468	\$ 448,621
Contributions	4,048	4,280
Transfers and other additions	7,460	3,100
Return on endowment investments	43,000	41,598
Amount distributed for operating activities	(26,080)	(26,131)
Net change in endowment investments	28,428	22,847
Endowment investments, end of the year	\$ 499,896	\$ 471,468
Total return on pooled endowment	9.03%	9.16%

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

### Organization

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

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

### Basis of Accounting and Presentation

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

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

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

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

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

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

The Consolidated Statements of Activities include comparative summarized information for the year ended June 30, 2024. Such information does not include sufficient detail by net asset class to constitute a presentation in conformity with U.S. GAAP. Accordingly such information should be read in conjunction with the university's consolidated financial statements for the year ended June 30, 2024, from which the summarized information was derived.

### Use of Estimates

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

### Revenue Recognition

The university's revenue recognition policies are as follows:

#### Student Tuition and Fees, net of Financial Aid

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

The university offers both need-based and merit-based aid. Institutional awards in the form of financial aid scholarships and grants, including those funded by the endowment and gifts, are reported as a reduction to student tuition revenues. Institutional awards to students were \$57.8 million and \$52.9 million for the years ended June 30, 2025 and 2024, respectively.

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

## Revenue Recognition, continued

## Auxiliary Enterprises

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

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

## Governmental Grants and Contracts

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

## Functional Allocation of Expenses

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

## Fundraising Expenses

Fundraising expenses of \$4,162 and \$3,589 are included in Institutional support on the Consolidated Statements of Activities for the years ended June 30, 2025 and 2024, respectively, and include direct expenses associated with fundraising activities and allocations for depreciation expense, interest on long-term debt, operation and maintenance of campus facilities, and information technology support.

## Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with maturities of three months or less when purchased, except for those held for long-term investment. Cash equivalents totaled \$7,272 and \$37,567, respectively, at June 30, 2025 and 2024. The university's cash balances exceed federally insured limits at times. The university has not experienced any significant losses on its cash investments.

## Note Receivable

During fiscal year 2025, the university's wholly owned subsidiary, Rainier Heights Holdings LLC, sold its donated interest in a real estate partnership that owned and operated multi-family rental properties. The asset was previously recorded as an "other asset" on the Consolidated Statement of Financial Position (~\$5.78M), and was converted into a note receivable as a result of the sale. The transaction, completed with a third-party investment firm, included a partial cash payment and a secured promissory note.

The note receivable is being repaid in periodic installments, with a final balloon payment due at maturity in 2030. As of June 30, 2025, the outstanding balance of the note receivable is \$3,327, of which \$281 is classified as current and \$3,046 is non-current. In accordance with donor intent, all proceeds from the sale and repayments of the note are to be added to the university's pooled endowment. Management has evaluated the note for collectibility and determined that no allowances for uncollectable accounts is necessary at year-end.

## Contributions Receivable

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

## Inventories

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

## Student Loans Receivable

The university participates in the Federal Perkins revolving loan program. The Federal Perkins loan program expired on September 30, 2017, so no new loans have been disbursed after the close of the 2018 award year. The outstanding loan balance was \$1,975 and \$2,704 at June 30, 2025 and 2024, respectively. Funds contributed to the program by the Federal government must ultimately be returned to the government, therefore they are classified as liabilities under "Government advances for student loans" in the Consolidated Statements of Financial Position. Outstanding loans cancelled under the program result in a decrease in the liability to the government.

## Investments

Investments include short-term investments, endowment investments, investments included in prepaid expenses and other assets, and assets held in split-interest agreements trusted by the university. Investments are stated at fair value (see Note 3) reported in the context of market conditions as of the valuation date. The university employs procedures to ensure appropriate oversight of its investments. Procedures include ongoing monitoring and review of valuations and assumptions provided by investment managers. Based on the results of these procedures, the university believes that the carrying amounts of these financial instruments are reasonable estimates of the fair value. Perpetual trusts and some charitable remainder trusts are managed by outside trustees.

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

and are not subject to the university's investment policies.

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

**Risk and Investment Performance**

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

**Beneficial Interest in Outside Trusts**

Funds held in trust by others represent resources neither in the possession nor under the control of the university. These trusts are administered by outside trustees, with the university deriving income and/or a residual interest from the assets. When an irrevocable trust is established and the university is notified of its existence and can establish the fair value of the assets of the trust, the university recognizes its beneficial interest in the outside trust as a contribution at fair value. The fair value is measured as the present value of the estimated expected future benefits to be received when the trust assets are distributed. The contribution revenue recognized is classified as an increase in net assets with donor restriction based on the time or use restrictions placed by the donor upon the university's beneficial interest in the assets. Periodic adjustments to the beneficial interest to reflect changes in the fair value, life expectancy, and discount rate are recognized as actuarial gains or losses. The discount rates used at June 30, 2025 and June 30, 2024, were 5.00% and 5.60%, respectively.

**Assets held as Trustee or Agent Under Split-Interest Agreements**

The university has legal title, either in the university's name or as trustee, to charitable remainder and lead trusts. No significant financial benefit can be realized until the contractual obligations are released. The university also receives contributions for charitable gift annuity contracts. Actuarial methods are used to record these annuities and trusts using discount rates ranging from 1.60% to 8.00%. For charitable gift annuities and charitable remainder trusts, when a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and current discount rate assumptions and the remainder is recorded as a contribution. For charitable lead trusts, when a gift is received, the present value of future expected payments to the university, as lead beneficiary, is recorded as a contribution and the remainder is recorded as a liability to the remainder beneficiaries. Contribution revenue recognized from charitable gift annuities and charitable remainder and lead trusts is classified as an increase in net assets with or without donor restriction, based on the existence or absence of time or use restrictions placed by the donor upon the university's interest in the assets. Annuity and trust assets are reported at fair value. Investment income and gains are credited, and beneficiary payments, direct costs of funds management, and investment losses are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses resulting from changes in fair value and life expectancy.

The university maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' laws. The total amount held in separate reserve funds was \$797 as of June 30, 2025, and \$764 as of June 30, 2024.

**Intangible Assets and Campus Facilities**

Intangible assets, including software and software related contracts, electronic library resources, and website development costs, are recorded at cost. Purchased intangible assets with a cost of \$5 or more and developed intangible assets with a cost of \$100 or more are capitalized. Intangible library resources do not have a capitalization threshold. These assets have finite useful lives and are amortized on a straight-line basis over their estimated useful lives, ranging from 4 to 20 years.

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

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

**Asset Retirement Obligations**

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

June 30, 2025

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

Advance Deposits from Students

Payments from students received by the end of the current fiscal year that are for a term in the subsequent fiscal year have been deferred for inclusion in operating revenues without donor restrictions in that subsequent year. Advance deposits at June 30, 2025 and 2024 were \$428 and \$397, respectively.

Related Parties

The university received a multi-year gift commitment from a foundation in 2022. During fiscal year 2025, a senior executive of the foundation joined the university's Board of Trustees, creating a related party relationship. Although the gift commitment was made before the relationship existed, subsequent payments on the commitment continued during 2025. The outstanding contribution receivable from the foundation as of June 30, 2025 is \$5.7 million.

Federal Income Taxes

The university has been recognized by the Internal Revenue Service as exempt from federal income taxes under section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3) except to the extent of unrelated business taxable income. Donations to the university are generally tax deductible to the donor. The university's wholly-owned subsidiary, Rainier Heights Holdings, LLC, is disregarded for federal income tax purposes, and its activity flows through to the university. The university had no unrecognized tax benefits that would have required an adjustment to its net assets at June 30, 2025 or 2024.

NOTE 2 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consisted of the following unconditional promises to give:

	June 30, 2025	June 30, 2024
Endowment	\$ 9,206	\$ 10,686
Construction and improvement of campus facilities	51	51
Student financial aid	1,800	2,400
Other programs and activities, including promises without donor restriction	669	817
	<u>11,726</u>	<u>13,954</u>
Allowance for uncollectable promises	(238)	(277)
Discount to present value	(1,595)	(1,909)
	<u>\$ 9,893</u>	<u>\$ 11,768</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 3,960	
One to five years	7,746	
More than five years	20	
	<u>\$ 11,726</u>	

Discount rates ranged from 1.16% to 4.99% and 1.16% to 5.37% for June 30, 2025 and June 30, 2024, respectively.

Conditional promises to give totaled \$129 and \$242 at June 30, 2025 and June 30, 2024, respectively. Conditions include meeting a fundraising goal and submissions of research proposals. These promises will be recognized when conditions are substantially met.

NOTE 3 – FAIR VALUE MEASUREMENTS

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

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

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

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

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

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 3 – FAIR VALUE MEASUREMENTS, CONTINUED

For assets and liabilities reported at fair value, the following table presents the fair value measurements used as of June 30, 2025:

	Totals	Level 1	Level 2	Level 3
Endowment investments:				
Global equity:				
US	\$ 2,090	\$ 2,090	\$ -	\$ -
Global equity measured at net asset value	216,998	-	-	-
Global fixed income/credit:				
Mutual funds	293	293	-	-
Balanced fund	793	793	-	-
Global fixed income/credit measured at net asset value	45,136	-	-	-
Absolute return hedge funds:				
Absolute return hedge funds measured at net asset value	48,561	-	-	-
Real assets:				
Real assets measured at net asset value	64,804	-	-	-
Private capital:				
Private capital measured at net asset value	109,369	-	-	-
Cash and other assets:				
Cash and short-term investments	9,350	9,350	-	-
Perpetual trusts	2,457	-	-	2,457
Restricted cash measured at net asset value	45	-	-	-
Total endowment investments	499,896	12,526	-	2,457
Other investments:				
Marketable securities	8,253	8,253	-	-
Municipal/government agency obligations	4,835	-	4,835	-
Beneficial interest in outside trusts	1,196	-	-	1,196
Assets held under split interest agreements	3,863	3,860	3	-
Total assets	\$ 518,043	\$ 24,639	\$ 4,838	\$ 3,653

	Fair Value	Redemption Restrictions	Redemption Notice	Unfunded Commitments
Investments measured at net asset value:				
Global equity:				
Commingled global equity	\$ 166,467	25% quarterly or 100% annually illiquid	90 days	\$ -
Commingled global equity	49,523			-
Commingled global equity impact	1,008	25% quarterly or 100% annually		-
	\$ 216,998			\$ -
Global fixed income/credit:				
Commingled global fixed income	\$ 34,835	25% quarterly or 100% annually illiquid	90 days	\$ -
Commingled global fixed income	10,301			-
	\$ 45,136			\$ -
Absolute return hedge funds:				
Absolute return hedge funds in liquidation	\$ 20	In Liquidation		\$ -
Commingled absolute return hedge funds	37,463	25% quarterly or 100% annually illiquid	90 days	-
Commingled absolute return hedge funds	11,078			-
	\$ 48,561			\$ -
Real assets:				
Private energy	\$ 11,544	Illiquid		\$ 403
Timber	2,822	Illiquid		-
Real estate	506	Illiquid		78
Sustainable real assets	5,402	Illiquid		31,362
Commingled real assets	7,582	25% quarterly or 100% annually illiquid	90 days	-
Commingled real assets	36,948			-
	\$ 64,804			\$ 31,843
Private capital:				
Private capital	\$ 28,180	Illiquid		\$ 56,372
Commingled private capital	81,189	Illiquid		-
	\$ 109,369			\$ 56,372
Cash:				
Restricted cash redemptive	\$ 35	25% quarterly or 100% annually illiquid	90 days	\$ -
Restricted cash non-redemptive	10			-
	\$ 45			\$ -

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 3 – FAIR VALUE MEASUREMENTS, CONTINUED

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

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

	Fair Value	Redemption Restrictions	Redemption Notice	Unfunded Commitments
Investments measured at net asset value:				
Global equity:				
Commingled global equity	\$ 146,262	25% quarterly or 100% annually	90 days	\$ -
Commingled global equity	63,236	Illiquid		-
Commingled global equity impact	921	25% quarterly or 100% annually		-
	\$ 210,449			\$ -
Global fixed income/credit:				
Commingled global fixed income	\$ 32,036	25% quarterly or 100% annually	90 days	\$ -
Commingled global fixed income	13,761	Illiquid		-
	\$ 45,797			\$ -
Absolute return hedge funds:				
Absolute return hedge funds in liquidation	\$ 12	In Liquidation		\$ -
Commingled absolute return hedge funds	26,980	25% quarterly or 100% annually	90 days	-
Commingled absolute return hedge funds	11,589	Illiquid		-
	\$ 38,581			\$ -
Real assets:				
Private energy	\$ 20,113	Illiquid		\$ 446
Timber	4,131	Illiquid		-
Real estate	425	Illiquid		78
Sustainable real assets	3,776	Illiquid		36,274
Commingled real assets	6,077	25% quarterly or 100% annually	90 days	-
Commingled real assets	34,412	Illiquid		-
	\$ 68,934			\$ 36,798
Private capital:				
Private capital	\$ 28,048	Illiquid		\$ 72,106
Commingled private capital	67,196	Illiquid		-
	\$ 95,244			\$ 72,106
Cash:				
Restricted cash redemptive	\$ 10	25% quarterly or 100% annually	90 days	\$ -
Restricted cash non-redemptive	2	Illiquid		-
	\$ 12			\$ -

## NOTE 3 – FAIR VALUE MEASUREMENTS, CONTINUED

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

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

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

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

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

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

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

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

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

	June 30, 2025	June 30, 2024
Balance, beginning of the year	\$ 9,314	\$ 9,122
Total realized and unrealized gains (losses)	(1,295)	279
Purchases	-	-
Issues	-	-
Sales	(4,401)	(181)
Net transfers	35	92
Balance, end of the year	<u>\$ 3,653</u>	<u>\$ 9,314</u>
Unrealized gains related to Level 3 assets held at the end of the year included in "Net gains and income on endowment investments, net of distributions" in the Consolidated Statements of Activities	<u>\$ 178</u>	<u>\$ 279</u>

## NOTE 4 – ENDOWMENT INVESTMENTS AND NET ASSETS

At June 30, 2025, the university's endowment consisted of 721 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowments and funds designated by the board of trustees to function as endowments (quasi-endowments). Quasi-endowment funds may be expended at the discretion of the university's board of trustees. As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

## Endowment Investment and Spending Policies

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

The university's endowment supports the educational mission of the university by providing a substantial, sustainable flow of funds for operations in real or inflation-adjusted terms, as adjusted for new additions. The primary investment objective of the pooled endowment is to provide a sustainable maximum level of return that is consistent with prudent risk levels. The specific investment objectives of the general and fossil fuel free pooled endowments are to attain annual total real returns of at least 5% and 3.5%, respectively, over the long-term. Policy dictates that adherence to a sound long-term investment

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

program, which balances short-term spending needs with the preservation of the real (inflation-adjusted) value of assets, is crucial to the endowment's long-term success. Investments are diversified across a wide range of asset classes, including those providing return premiums for illiquidity, so as to provide a balance that will enhance total return under a range of economic scenarios, while avoiding undue risk concentrations in any single asset class or investment category. Sufficient liquidity in the endowment portfolio to meet the spending policy and operational needs, preserve the university's desired credit ratings, and maintain other applicable required minimums is also considered when making investment decisions regarding asset allocation.

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

Pooled endowment spending is determined using the total return concept. The board of trustees approved a spending rate for the general pooled endowment based on 5% of a trailing 36-month average market value for the years ended June 30, 2025 and June 30, 2024, and approved a spending rate for the fossil fuel free portfolio based on 3.5% of a trailing 36-month average market value for the years ended June 30, 2025 and June 30, 2024. For a few donor-restricted endowment funds, the university honors and adheres to donor-stipulated spending limitations.

As of June 30, 2025 and 2024, approximately 99.3% of the university's endowment investments were pooled.

## Funds with Deficiencies

As of June 30, 2025 and 2024, there were no endowment funds with values less than the total original and all subsequent contributions. Deficiencies of this nature are reported in net assets with donor restrictions.

## Interpretation of Relevant Law

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

Net asset balances and changes to the net asset balances for the year ended June 30, 2025 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2024	\$ 142,886	\$ 337,580	\$ 480,466
Contributions, net	-	2,825	2,825
Transfers and other additions (deductions)	1,900	5,560	7,460
Net assets released from restrictions	406	(406)	-
Return on investments:			
Investment income	242	505	747
Net change on investments	11,820	30,433	42,253
Total return on investments	12,062	30,938	43,000
Amount distributed for operating activities	(10,843)	(15,237)	(26,080)
Endowment net assets, June 30, 2025	<u>146,411</u>	<u>361,260</u>	<u>507,671</u>
Endowment net assets consisted of the following at June 30, 2025:			
Donor-restricted endowments	-	351,230	351,230
Board-designated quasi-endowments	146,411	2,255	148,666
	146,411	353,485	499,896
Unconditional promises to endowment	-	7,775	7,775
Total endowment net assets	<u>\$ 146,411</u>	<u>\$ 361,260</u>	<u>\$ 507,671</u>

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 4 - ENDOWMENT INVESTMENTS AND NET ASSETS, CONTINUED

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

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

## NOTE 5 – INTANGIBLE ASSETS AND CAMPUS FACILITIES

### Intangible Assets

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

	June 30, 2025	June 30, 2024
Intangible assets:		
Gross carrying amount	\$ 19,129	\$ 18,368
Accumulated amortization	(10,165)	(9,112)
Net carrying amount	<u>\$ 8,964</u>	<u>\$ 9,256</u>
Aggregate amortization expense:		
2025	\$ 1,149	
Estimated amortization expense for each of the next five years and thereafter is as follows:		
2026	\$ 1,123	
2027	1,105	
2028	1,072	
2029	995	
2030	935	
Thereafter	3,734	
Total	<u>\$ 8,964</u>	

### Campus Facilities

Campus facilities consisted of the following:

	June 30, 2025	June 30, 2024
Land and improvements	\$ 43,105	\$ 43,105
Building and improvements	296,586	294,490
Equipment	12,853	13,971
Library resources	3,135	3,049
Collections	1,051	1,051
Construction in progress	1,755	2,367
	<u>358,485</u>	<u>358,033</u>
Accumulated depreciation	(186,897)	(181,098)
Campus facilities, net	<u>\$ 171,588</u>	<u>\$ 176,935</u>

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

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

### Asset Retirement Obligations

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

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

	June 30, 2025	June 30, 2024
Asset retirement obligation, beginning of the year	\$ 2,677	\$ 2,447
Obligations settled	-	(8)
Accretion expense	118	108
Revisions in estimated cash flows	115	130
Asset retirement obligation, end of the year	<u>\$ 2,910</u>	<u>\$ 2,677</u>

## NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	Final Maturity	June 30, 2025	June 30, 2024
WHEFA Revenue Bonds, 2022	2042	32,849	33,628
WHEFA Revenue Bonds, 2023	2043	28,881	29,137
Capital lease obligations	2032	19	21
Total		<u>\$ 61,749</u>	<u>\$ 62,786</u>

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

2026	1,692
2027	2,417
2028	2,507
2029	2,612
2030	2,728
Thereafter	<u>48,319</u>
	60,275
Unamortized premium costs	2,088
Unamortized issuance costs	(614)
Total	<u>\$ 61,749</u>

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

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

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

For the years ending June 30, 2025 and June 30, 2024, the university incurred total interest costs related to long-term debt of \$2,022 and \$1,986, respectively, of which \$0 was capitalized. Interest costs include debt interest payments, remarketing, and amortization of bond premium, discount and costs of issuance.

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 7 – LIQUIDITY AND AVAILABILITY

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

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

The following table reflects the university's financial assets as of June 30, 2025 and June 30, 2024, reduced by amounts not available for general expenditures within one year.

	June 30, 2025	June 30, 2024
Financial assets:		
Cash and cash equivalents	\$ 41,244	\$ 45,970
Short-term investments	12,684	16,124
Receivables, net	2,548	1,728
Note receivable, net	3,327	-
Contributions receivable, net	9,893	11,768
Beneficial interest in outside trust	1,196	1,162
Assets held under split-interest agreements	3,863	4,831
Endowment investments	499,896	471,468
Assets restricted for investments in campus facilities	404	-
Financial assets, at year-end	<u>\$ 575,055</u>	<u>\$ 553,051</u>
Less those unavailable for general expenditures within one year due to:		
Donor-restricted endowment, net of anticipated draw	(338,344)	(313,574)
Donor and grant-restricted expendable funds	(8,088)	(6,825)
Assets held under split interest agreements	(3,863)	(4,831)
Beneficial interest in outside trusts	(1,196)	(1,162)
Notes receivable, net, scheduled to be collected in more than one year	(3,046)	-
Contributions receivable, net, scheduled to be collected in more than one year	(5,947)	(8,135)
Other restricted assets	(2,072)	(2,415)
Financial assets available to meet cash needs for general expenditures within one year, before board designation:	<u>\$ 212,499</u>	<u>\$ 216,109</u>
Less board designations:	<u>(140,766)</u>	<u>(137,164)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 71,733</u>	<u>\$ 78,945</u>

## NOTE 8– ANALYSIS OF EXPENSE BY FUNCTIONAL AND NATURAL CLASSIFICATIONS

June 30, 2025:

	Program Activities				Supporting Activities	Total Expenses
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	
Salaries and wages	\$ 26,235	\$ 4,546	\$ 9,208	\$ 5,989	\$ 10,277	\$ 56,255
Employee benefits	8,109	1,437	3,107	1,631	3,581	17,865
Supplies, travel, and other	5,201	1,023	3,394	5,653	1,351	16,622
Service and professional fees	1,353	887	2,080	2,858	2,723	9,901
Facilities maintenance and operations	1,299	380	828	3,441	107	6,055
Depreciation and amortization	2,877	1,477	1,777	2,495	618	9,243
Interest	926	94	45	713	49	1,827
Total Expenses	<u>\$ 46,000</u>	<u>\$ 9,844</u>	<u>\$ 20,439</u>	<u>\$ 22,780</u>	<u>\$ 18,706</u>	<u>\$ 117,768</u>

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 8— ANALYSIS OF EXPENSE BY FUNCTIONAL AND NATURAL CLASSIFICATIONS, CONTINUED

The Consolidated Statements of Activities report the functional classification of expenses by program activity. The following tables present the natural classification of expenses by program activity for the years ended June 30, 2025 and June 30, 2024 respectively.

June 30, 2024:

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

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

## NOTE 9 – NET ASSETS WITH DONOR RESTRICTIONS

Net Assets with Donor Restrictions consisted of the following:

	June 30, 2025	June 30, 2024
Time or purpose restricted:		
Time restrictions:		
Unappropriated earnings from donor-restricted endowments	\$ 177,793	\$ 155,334
Term endowment	663	635
Total time-restricted endowments	<u>178,456</u>	<u>155,969</u>
Unconditional promises to give	2,119	2,770
Split-interest agreements - life income	1,188	1,153
Split-interest agreements - annuities	12	11
Cash surrender value of life insurance policies	151	127
Total time restrictions	<u>181,926</u>	<u>160,030</u>
Purpose restrictions:		
Construction of campus facilities	2,027	1,842
Educational programs and activities	8,250	12,930
Total purpose restrictions	<u>10,277</u>	<u>14,772</u>
Total time or purpose restricted	<u>\$ 192,203</u>	<u>\$ 174,802</u>
Restricted in perpetuity:		
Endowment funds	\$ 180,549	\$ 179,559
Split-interest agreements	2,266	2,406
Loan funds	5	5
Total restricted in perpetuity	<u>\$ 182,820</u>	<u>\$ 181,970</u>
Total net assets with donor restrictions	<u>\$ 375,023</u>	<u>\$ 356,772</u>

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 10 – RETIREMENT PLANS

### Defined Contribution Plan

The university contributes to a defined contribution retirement plan for the benefit of eligible faculty and staff (participants), with funding vehicles available through Teachers Insurance Annuity Association of America (TIAA). University contributions for participants begin after one year of service to the university or one year of service at an eligible employer during the twelve months immediately prior to their employment at the university. Contributions were 6% of salaries for the year ended June 30, 2025 and 2024 and are fully vested. The university's contributions totaled \$2,607 and \$2,532 for the years ended June 30, 2025 and 2024, respectively.

### Defined Benefit Plans

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

Amounts recognized in "Accrued payroll and other liabilities" in the Consolidated Statements of Financial Position as of June 30, 2025 and 2024, and in the Consolidated Statements of Activities for the years then ended are as follows:

	Faculty Early Retirement and Career Change Plan		Post-Retirement Medical Plan	
	2025	2024	2025	2024
Beginning of the year	\$ 6,762	\$ 5,988	\$ 3,822	\$ 3,772
Benefits paid	(639)	(1,442)	(169)	(190)
Amounts recognized in the Consolidated Statements of Activities:				
Components of net benefit expense:				
Service cost	301	276	161	184
Interest cost	348	294	198	185
Total net benefit expense	649	570	359	369
Gain (loss) recognized within other adjustments and changes	28	1,646	(38)	(129)
End of the year	<u>\$ 6,800</u>	<u>\$ 6,762</u>	<u>\$ 3,974</u>	<u>\$ 3,822</u>
Post-retirement benefit liability recognized within accrued payroll and other liabilities in the Consolidated Statements of Financial Position:				
Current portion	\$ 477	\$ 390	\$ 251	\$ 246
Noncurrent portion	6,323	6,372	3,723	3,576
Total	<u>\$ 6,800</u>	<u>\$ 6,762</u>	<u>\$ 3,974</u>	<u>\$ 3,822</u>
Plan funded (unfunded) status	<u>\$ (6,800)</u>	<u>\$ (6,762)</u>	<u>\$ (3,974)</u>	<u>\$ (3,822)</u>

The weighted-average assumptions used to determine plan benefit obligations as of June 30, 2025 and 2024, and the net benefit expense for the years then ended, included:

	Faculty Early Retirement and Career Change Plan		Post-Retirement Medical Plan	
	2025	2024	2025	2024
Benefit obligation (post-retirement benefit liability):				
Discount rate	5.23%	5.04%	5.30%	5.34%
Rate of compensation increase	3.50%	3.50%	N/A	N/A
Net benefit expense:				
Discount rate	5.30%	5.04%	5.34%	5.06%
Rate of compensation increase	3.50%	3.50%	N/A	N/A

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

# UNIVERSITY OF PUGET SOUND Notes to Consolidated Financial Statements

June 30, 2025

(Dollars in Thousands)

## NOTE 10 – RETIREMENT PLANS, CONTINUED

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

	Faculty Early Retirement Medical Plan	Post- Retirement Medical Plan
2026	\$ 477	\$ 251
2027	532	304
2028	617	324
2029	633	341
2030	658	359
2030–2034	3,262	1,942

## NOTE 11 – WASHINGTON STATE STATUTORY REQUIREMENTS

Washington State statutory requirements related to charitable gift annuities require the following disclosure of unconsolidated financial information for the university as of June 30, 2025:

	University of Puget Sound (unconsolidated)	Wholly Owned Subsidiary	Eliminating Entries	University of Puget Sound (consolidated)
<b>Assets:</b>				
Cash and cash equivalents	\$ 41,244	\$ -	\$ -	\$ 41,244
Due from subsidiaries	2,001	-	(2,001)	-
Short-term investments	12,684	-	-	12,684
Receivables, net	2,548	-	-	2,548
Note receivables, net (Note 1)	-	3,327	-	3,327
Contributions receivable, net	9,893	-	-	9,893
Inventories	338	-	-	338
Prepaid expenses and other assets	2,360	-	-	2,360
Student loans receivable, net	1,975	-	-	1,975
Beneficial interest in outside trusts	1,196	-	-	1,196
Assets held under split-interest agreements	3,863	-	-	3,863
Endowment investments	499,896	-	-	499,896
Intangibles, net	8,964	-	-	8,964
Assets restricted for investment in campus facilities	404	-	-	404
Campus facilities, net	171,588	-	-	171,588
Total assets	<u>\$ 758,954</u>	<u>\$ 3,327</u>	<u>\$ (2,001)</u>	<u>\$ 760,280</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,231	\$ -	\$ -	\$ 1,231
Due to university	-	2,001	(2,001)	-
Accrued payroll and other liabilities	17,428	-	-	17,428
Advance deposits from students	2,141	-	-	2,141
Liabilities under split-interest agreements	1,586	-	-	1,586
Government advances for student loans	2,580	-	-	2,580
Asset retirement obligation	2,910	-	-	2,910
Interest rate swap agreements	-	-	-	-
Long-term debt, net	61,749	-	-	61,749
Total liabilities	<u>\$ 89,625</u>	<u>\$ 2,001</u>	<u>\$ (2,001)</u>	<u>\$ 89,625</u>
<b>Net Assets:</b>				
Net assets without donor restrictions	\$ 295,632	\$ -	\$ -	\$ 295,632
Net assets with donor restrictions	373,697	1,326	-	375,023
Total net assets	<u>669,329</u>	<u>1,326</u>	<u>-</u>	<u>670,655</u>
Total liabilities and net assets	<u>\$ 758,954</u>	<u>\$ 3,327</u>	<u>\$ (2,001)</u>	<u>\$ 760,280</u>

The amount included to meet future payments under gift annuity contracts in liabilities under split-interest agreements was \$381 as of June 30, 2025, and \$399 as of June 30, 2024.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The university is obligated under certain limited partner investment fund agreements to fund capital commitments yet to be called by the investment fund. At June 30, 2025, the university had \$15,061 in unfunded commitments to external investment managers.

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

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

NOTE 13 – SUBSEQUENT EVENTS

The university has evaluated subsequent events through November 21, 2025, the date the consolidated financial statements were available to be issued.

## UNIVERSITY OF PUGET SOUND Board of Trustees, Non-Trustee Officers and Other Key Employees (Unaudited)

As of October 2025

### Trustee Officers

Beth M. Picardo '83, J.D.'86, Chair  
Kenneth W. Willman '82, P'15, P'18, Vice Chair  
Isiaah Crawford, President  
Shelly J. Heier '98, Treasurer

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Sarah L. Lee '94	Human Resources Director, Seattle Fire Department, Seattle, Washington
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Lyle Quasim '70, Hon. '05	Public Service Executive (retired), Tacoma, Washington
Erin Shagren '88, P'17	Director & Treasurer, Names Foundation, Tacoma, Washington
Jamilia J. Sherls '05	Director, Office of Immunization, Washington State Department of Health, Tacoma, Washington
Betsy C. Stone '79, P'14	Writer and Strategy/Marketing Consultant, Sacramento, California
Bruce L. Titcomb '80, P'13	Partner, KayBru Property Management, Lake Forest Park, Washington
Nicholas D. Vasilus '07	Head of Data & Analytics, Allseas, South Holland, the Netherlands
Erik A. Wallace '96	Internal Medicine Physician, Oak Street Health, Colorado Springs, Colorado
David J. Watson '92	Co-Founder and CEO, Tobler Labs, LLC., Los Altos, California
Kenneth W. Willman '82, P'15, P'18	Co-Founder and Producer, Needle Productions LLC, Seattle, Washington

### Non-Trustee Officers

Matthew Boyce (through July 12, 2024)	Vice President of Enrollment
Joanna Carey Cleveland	Vice President and General Counsel, Chief of Staff, and Secretary to the Board of Trustees
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Janet S. Hallman '84	Associate Vice President for Financial Planning and Analysis
Lorna Hernandez Jarvis	Vice President for Institutional Equity and Diversity
Andrew Kerkhoff	Provost
Kimberly Kvaal	Executive Vice President and Chief Financial Officer
Justine Levesque	Associate Vice President for Finance
Victor Martin	Vice President for University Relations
Timothy Whitum (effective Jan. 13, 2025)	Vice President of Enrollment

### Other Key Employees

Robert Kief	Associate Vice President for Facilities Services
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