SEATTLE
UNIVERSITY

FINANCIAL STATEMENTS

JUNE 30, 2026 AND 2025
WITH INDEPENDENT AUDITORS' REPORT THEREON



SEATTLE UNIVERSITY

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Independent Auditors' Report

The Board of Trustees
Seattle University:

Opinion

We have audited the consolidated financial statements of Seattle University (the University), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated 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 financial position of the University as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 U.S. generally accepted accounting principles, 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 for one year after the date that the consolidated financial statements are issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.



Seattle, Washington
_____ ___, _____

SEATTLE UNIVERSITY

Consolidated Statements of Financial Position

June 30, 2026 and 2025

(In thousands)

Assets		2026	2025
Assets:			
Cash and cash equivalents	$	28,580	16,423
Short-term investments		39,485	60,371
Accounts receivable, net		22,798	24,855
Contributions receivable, net		12,365	12,555
Long-term investments		552,096	428,349
Student loans receivable, net		1,781	1,870
Assets held under split-interest agreements		16,315	9,953
Property, plant, and equipment, net		519,641	521,139
Right-of-use assets		23,393	23,216
Other assets		9,191	8,400
Total assets	$	1,225,645	1,107,131
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	5,080	7,125
Line of credit		11,284	—
Accrued liabilities		15,708	15,043
Deferred revenue		22,744	20,052
Liabilities under split-interest agreements		7,845	5,026
Lease liabilities		23,585	23,242
Bonds payable		137,172	142,564
Other liabilities		1,651	1,995
Total liabilities		225,069	215,047
Net assets:			
Without donor restriction		523,178	513,593
With donor restriction		477,398	378,491
Total net assets		1,000,576	892,084
Total liabilities and net assets	$	1,225,645	1,107,131

See accompanying notes to consolidated financial statements.

SEATTLE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2026
(With summarized information for the year ended June 30, 2025)

(In thousands)

	2026			
	Without donor restriction	With donor restriction	Total	2025 Total
Operating:				
Revenues and other activities:				
Tuition and fees	$ 350,293	—	350,293	326,976
Less student aid	(150,672)	—	(150,672)	(136,582)
Net tuition and fees	199,621	—	199,621	190,394
Contributions	14,930	13,049	27,979	12,322
Grants and contracts	9,374	—	9,374	13,098
Auxiliary enterprises	19,324	—	19,324	19,032
Return on investments designated for operating activities	5,044	12,066	17,110	4,755
Endowment income distributed for operating activities	4,616	11,348	15,964	14,363
Other revenue	12,813	—	12,813	8,508
Net assets released from restrictions	31,273	(31,273)	—	—
Total revenues and other activities	296,995	5,190	302,185	262,472
Expenses:				
Instruction	131,284	—	131,284	122,666
Academic support	30,774	—	30,774	28,240
Student services	52,987	—	52,987	51,574
Institutional support	63,319	—	63,319	59,038
Auxiliary enterprises	13,462	—	13,462	14,430
Total operating expenses	291,826	—	291,826	275,948
Increase (decrease) in net assets from operations	5,169	5,190	10,359	(13,476)
Nonoperating:				
Contributions to endowment funds	77	48,904	48,981	15,647
Asset contribution from Cornish College of the Arts	—	—	—	106,246
Contributions for capital assets	1,769	6,756	8,525	1,005
Endowment income, net of amounts distributed for operations	6,113	34,589	40,702	19,614
Change in fair value of split-interest agreements	106	3,408	3,514	(207)
Change in fair value of interest rate swap	37	—	37	(63)
Other	(4,303)	677	(3,626)	(2,697)
Net assets released from restrictions	617	(617)	—	—
Total nonoperating activities	4,416	93,717	98,133	139,545
Increase in net assets	9,585	98,907	108,492	126,069
Net assets at beginning of year	513,593	378,491	892,084	766,015
Net assets at end of year	$ 523,178	477,398	1,000,576	892,084

See accompanying notes to consolidated financial statements.

SEATTLE UNIVERSITY

Consolidated Statement of Activities

Year ended June 30, 2025

(In thousands)

	2025		
	Without donor restriction	With donor restriction	Total
Operating:			
Revenues and other activities:			
Tuition and fees	$ 326,976	—	326,976
Less student aid	(136,582)	—	(136,582)
Net tuition and fees	190,394	—	190,394
Contributions	2,701	9,621	12,322
Grants and contracts	13,098	—	13,098
Auxiliary enterprises	19,032	—	19,032
Return on investments designated for operating activities	4,755	—	4,755
Endowment income distributed for operating activities	4,547	9,816	14,363
Other revenue	8,508	—	8,508
Net assets released from restrictions	40,845	(40,845)	—
Total revenues and other activities	283,880	(21,408)	262,472
Expenses:			
Instruction	122,666	—	122,666
Academic support	28,240	—	28,240
Student services	51,574	—	51,574
Institutional support	59,038	—	59,038
Auxiliary enterprises	14,430	—	14,430
Total operating expenses	275,948	—	275,948
Increase (decrease) in net assets from operations	7,932	(21,408)	(13,476)
Nonoperating:			
Contributions to endowment funds	9	15,638	15,647
Asset contribution from Cornish College of the Arts	92,534	13,712	106,246
Contributions for capital assets	649	356	1,005
Endowment income, net of amounts distributed for operations	(325)	19,939	19,614
Change in fair value of split-interest agreements	(684)	477	(207)
Change in fair value of interest rate swap	(63)	—	(63)
Other	(2,697)	—	(2,697)
Net assets released from restrictions	3,759	(3,759)	—
Total nonoperating activities	93,182	46,363	139,545
Increase in net assets	101,114	24,955	126,069
Net assets at beginning of year	412,479	353,536	766,015
Net assets at end of year	$ 513,593	378,491	892,084

See accompanying notes to consolidated financial statements.

SEATTLE UNIVERSITY

Consolidated Statements of Cash Flows

Years ended June 30, 2026 and 2025

(In thousands)

	2026	2025
Cash flows from operating activities:		
Increase in net assets	$ 108,492	126,069
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	21,545	20,030
Change in fair value on interest rate swaps	(37)	63
Non-cash receipt of investment contribution used for investing activities	—	(50,400)
Contribution of Cornish property, plant, and equipment, net	—	(106,072)
Change in fair value of split-interest agreements	(3,514)	207
Proceeds from contributions restricted for long-term investment	(57,006)	(15,838)
Net appreciation in fair value of investments	(70,112)	(34,580)
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable, net	2,056	(9,889)
Contributions receivable, net	190	73,498
Accounts payable	(3,337)	2,290
Accrued liabilities	665	(292)
Deferred revenue	2,692	90
Other assets and liabilities, net	(577)	(3,918)
Net cash provided by operating activities	1,057	1,258
Cash flows from investing activities:		
Proceeds from sales of investments	261,716	141,867
Purchases of investments	(294,767)	(167,517)
Loans issued to students	(306)	(291)
Collections on loans to students	405	608
Disposal of property, plant, and equipment	4	15,200
Acquisition of property, plant, and equipment	(18,922)	(13,673)
Net cash (used in) investing activities	(51,870)	(23,806)
Cash flows from financing activities:		
Proceeds from issuance of line of credit	11,284	—
Principal payments on long-term debt	(5,320)	(6,084)
Proceeds from contributions restricted for long-term investment	57,006	15,838
Net cash provided by financing activities	62,970	9,754
Net increase (decrease) in cash and cash equivalents	12,157	(12,794)
Cash and cash equivalents at beginning of year	16,423	29,217
Cash and cash equivalents at end of year	$ 28,580	16,423
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 5,792	5,233
Property, plant, and equipment unpaid at year-end	1,292	1,208
Right-of-use assets obtained in exchange for lease obligations	2,207	—

See accompanying notes to consolidated financial statements.

(1) Organization and Current Environment

Seattle University (the University) is an independent, coeducational institution of higher learning. Approximately 7,200 students are enrolled in undergraduate and graduate programs within the seven schools and colleges. The University, founded in 1891, is a Jesuit Catholic University located on 50 acres in Seattle's Capitol Hill neighborhood. The University is dedicated to educating the whole person, to professional formation, and to empowering leaders for a just and humane world.

On March 18, 2025, the University entered into an Asset Contribution Agreement ("Agreement", "ACA") with Cornish College of the Arts ("Cornish") located in Seattle, Washington. The Agreement closed on June 2, 2025, after the completion of required conditions by both the University and Cornish. Upon closing, Cornish contributed substantially all its assets to the University and the University assumed certain Cornish liabilities. The transaction is a significant step for the University as it continues to elevate and enhance its arts education offerings for students.

The University recorded a capital contribution equal to the fair value of net assets received, determined using standard asset appraisal techniques, in the amount of $106,246,000. In accordance with Financial Accounting Standards Board Accounting Standards Codification ("ASC") 958-605, Revenue Recognition, the capital contribution was accounted for as contribution revenue on June 2, 2025, when the assets and liabilities of Cornish were recorded on the University's consolidated statements of financial position at fair value.

The following table summarizes the fair value of the assets acquired and liabilities assumed or extinguished at June 2, 2025:

	Without donor restriction	With donor restriction	Total
		(In thousands)	
Cash and cash equivalents	$ —	462	462
Investments	—	3,928	3,928
Receivables and other assets	862	9,322	10,184
Property, plant, and equipment	107,116	—	107,116
Operating lease right-of-use assets	5,785	—	5,785
Finance lease right-of-use assets	4,841	—	4,841
Less:			
Accounts payable and accrued liabilities	(678)	—	(678)
Deferred revenue	(269)	—	(269)
Operating lease liability	(5,785)	—	(5,785)
Finance lease liability	(4,841)	—	(4,841)
Note payable	(1,043)	—	(1,043)
Extinguished liabilities per ACA	(11,285)	—	(11,285)
Contributions to Cornish for wind down activities	(2,169)	—	(2,169)
Asset contribution from Cornish College of the Arts	$ 92,534	13,712	106,246

(Continued)

Included in the Agreement was transferring control of the Cornish Foundation from Cornish to the University. The Cornish Foundation remains a separate Washington nonprofit corporation and is consolidated within these financial statements. The University appoints the Cornish Foundation board members and the Cornish Foundation is operating exclusively for the benefit of the Cornish College of the Arts at Seattle University. Included within long-term investments on the statement of financial position at June 30, 2026 and 2025 is $4,482,000 and $3,929,000, respectively, of cash equivalents and fixed income government obligations consolidated from the Cornish Foundation.

(2) Summary of Significant Accounting Policies

(a) Financial Statement Presentation

The University's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

(b) Consolidation

The accompanying consolidated financial statements include the accounts of Seattle University and the Cornish Foundation. Unless otherwise noted, these consolidated entities are hereinafter referred to as Seattle University (the University).

(c) 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.

(d) Cash and Cash Equivalents

The University has a cash management program that provides for the investment of temporary excess cash balances in short-term money market and U.S. Treasury instruments. The University considers certain highly liquid investments with an original maturity of three months or less at the time of purchase to be cash equivalents. The fair value of these cash equivalents is categorized as Level 1 of the valuation hierarchy described in note 4. Certain cash equivalents included in the investment portfolio are intended to be invested on a long-term basis and, therefore, excluded from the statements of cash flows. At times, the University may have cash balances in excess of federally insured limits.

(e) Accounts Receivable

Accounts receivable from students are reported net of an allowance for doubtful accounts. The allowance is an estimate by management based upon an analysis of delinquent amounts and the respective student's ability and intent to repay. Accounts are considered delinquent when they are greater than 90 days outstanding. These estimated uncollectible amounts can be affected by changes in the student's economic circumstances. As a result, it is reasonably possible that the allowance for doubtful accounts could change in the near term.

Accounts receivable, net, at June 30, 2026 and 2025 are as follows:

	2026	2025
	(In thousands)	
Student receivables	$ 15,355	15,227
Federal, state, and local grants and contracts	10,170	3,698
Other	1,197	10,247
	26,722	29,172
Less allowance for doubtful accounts	(3,924)	(4,317)
Accounts receivable, net	$ 22,798	24,855

Other accounts receivable at June 30, 2025 includes assets valued at $8,698,000 owed to the University for the Cornish College of the Arts endowment that were received by the University in July 2025.

(f) Investments

The University retains an Outsourced Chief Investment Officer (OCIO) for the management of the University's investment fund managers. Fund managers are selected by the OCIO to invest certain of the University's funds in various investment asset classes, in accordance with the Board of Trustees' approved Investment Policy Statement.

Investments are stated at an estimated fair value in the consolidated financial statements. Investments are exposed to various risks, such as interest rate, market, and credit risks.

Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the University's consolidated financial statements. The University's alternative investments are less liquid than the rest of its portfolio and, as a result, are exposed to an increased risk of loss.

Investment income, including dividends and interest, is recorded net of investment management fees. Investment income is recognized as income when earned and is classified in the consolidated statements of activities based upon donor-imposed restrictions. Net realized and unrealized gains and losses are recognized in the consolidated statements of activities in nonoperating investment returns, net of amounts allocated to operations.

(g) Endowment

The endowment consists of contributions, split-interest agreements, and assets that are invested to provide income to support education and related activities, either as a result of donor-imposed restrictions or as a result of designations by the Board of Trustees. Endowment contributions are generally invested on a pooled basis and managed so as to achieve maximum long-term total return. The University's spending policy allocates the amount of the total return that can be spent versus

reinvested for future earnings. The University calculates endowment income to use for institutional purposes as 5.0% of the last 12 quarters' average fair value of the endowment investment pool. This approach emphasizes total investment return, which includes dividends, interest, and capital gains and losses.

(h) Student Loans Receivable

Student loans receivable consist mainly of loans made to students under the Federal Perkins Loan and Nursing Student Loan programs. The loans are stated at net realizable value in the accompanying consolidated statements of financial position.

The majority of these loan funds are furnished by agencies of the U.S. government, and the remaining balance of the loan funds is furnished by the University. The portion of these loans that are refundable to the U.S. government is reflected as Student loans receivable, net in the consolidated statements of financial position. The availability of funds for loans under the Federal Perkins Loan and Nursing Student Loan programs is dependent on reimbursements to the pool from repayments on outstanding loans.

On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permitted disbursements to students of any kind after June 30, 2018. The University has been returning the federal share of the University's Perkins Loan Revolving Funds to the U.S. Department of Education (ED) 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 and/or the remaining Perkins portfolio will be assigned to ED over the next five years.

Student loans receivable are stated net of an allowance for doubtful loans. The allowance is an estimate by management based upon an analysis of delinquent amounts and the respective student's ability and intent to repay. Loans are considered delinquent when they are greater than 90 days outstanding. These estimated uncollectible amounts can be affected by changes in the borrower's economic circumstances. As a result, it is reasonably possible that the allowance for doubtful loans could change in the near term. The allowance for doubtful loans was $44,000 and $54,000 as of June 30, 2026 and 2025, respectively.

(i) Split-Interest Agreements

The University's split-interest agreements with donors consist primarily of charitable gift annuities, pooled income funds, and irrevocable charitable remainder trusts for which the University may or may not serve as the trustee. Assets received from donors are invested and payments are made to beneficiaries in accordance with the respective agreements.

For those agreements in which the University is the trustee, contribution revenue from charitable gift annuities and charitable remainder trusts is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. Contribution revenue from pooled income funds is recognized upon establishment of the agreement at the fair value of the estimated future receipts discounted for the estimated time period to complete the agreement.

For those irrevocable agreements in which the University does not serve as the trustee, contributions receivable and revenue are recognized at the present value of the estimated future benefits.

Assets received from donors from the split-interest agreements are recorded at fair value on the date received. The present value of payments to beneficiaries of charitable gift annuities and charitable remainder trusts and the estimated future receipts from pooled income funds are calculated using the rates commensurate with the risks involved. The University uses the actuarial method of recording charitable gift annuities and charitable remainder trusts. Under this method, when a gift is received, the present value of the aggregate annuity payable is recorded as a liability, based upon life expectancy tables, and the remainder is recorded as a contribution in the appropriate net asset category. The liability account is credited with investment income and gains and is charged with investment losses and payments to beneficiaries. Periodic adjustments are made between the liability account and the net asset account for actuarial gains and losses. The actuarial liability is based on the present value of future payments discounted at rates ranging from 1.40% to 11.00% established at the date of agreement and over-estimated lives. These assets are recorded at fair value and are measured at the University's year-end using Level 2 inputs (based on hierarchy disclosed in note 4).

Legally mandated Washington state annuity reserves totaled $818,000 and $643,000 as of June 30, 2026 and 2025, respectively, and are included within the assets held under split-interest agreements on the consolidated statements of financial position.

(j) Property, Plant, and Equipment

Land is stated at cost, or in the case of those received by gift, at fair value at the date of gift. Buildings and improvements, land improvements, equipment and library books are stated at cost or fair value at the date of gift, less accumulated depreciation, computed on a straight-line basis over the following estimated useful lives:

- 50 years for buildings and improvements
- 15–50 years for land improvements
- 10 years for equipment and library books
- 4 years for computer hardware

The cost of repairs and maintenance and depreciation are expensed. Upon the sale or retirement of property, plant, and equipment, the related cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are reflected in the consolidated statements of activities.

Property, plant, and equipment is reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if the carrying value is not recoverable and exceeds the assets' fair value.

(k) Other Assets

Other assets comprise the following as of June 30, 2026 and 2025:

	2026	2025
	(In thousands)	
Prepaid expenses	$ 6,492	6,003
Funds held in trust by others	2,699	2,397
Total other assets	$ 9,191	8,400

Prepaid expenses are accrued upon payment for goods or services, and the related expense is recognized over the service period or when the goods are received.

The fair value of funds held in trust by others is based on quoted prices provided by the trusts' investment managers and custodian banks.

(l) Net Asset Categories

Resources are classified into two net asset categories according to the existence or absence of donor-imposed restrictions. Descriptions of the two net asset categories and types of transactions affecting each category follow:

- *Net assets without donor restriction* – 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 restriction* – Net assets with donor restrictions represent resources subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that are restricted by the donor for a particular purpose and that will be met by the passage of time or other events specified by the donor. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University, including contributions wherein donors stipulate that the corpus of the gift be held in perpetuity.

(m) Financial Assets and Liquidity Resources

The University regularly monitors liquidity required to meet its operating needs, liabilities, and other obligations as they become due. The following table reflects the University's financial assets as of June 30, 2026 and 2025 available for general expenditure, that is, without donor or other restrictions

limiting their use, within one year of the consolidated statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2026	2025
	(In thousands)	
Financial assets:		
Cash and cash equivalents	$ 28,580	16,423
Short-term investments	39,485	60,371
Accounts receivable, net	22,798	24,855
Contributions receivable, net	12,365	12,555
Long-term investments	552,096	428,349
Financial assets at June 30	655,324	542,553
Less financial assets unavailable for general expenditure within one year:		
Donor-restricted cash for property, plant, and equipment	1,015	2,868
Accounts receivable subject to donor-restrictions	2,298	9,322
Contributions receivable subject to donor-restrictions	11,053	12,225
Long-term investments unavailable for spend within one year	532,724	413,204
Financial assets unavailable for general expenditure within one year	547,090	437,619
Financial assets available to meet cash needs for general expenditure within one year	$ 108,234	104,934

Long-term investments unavailable for spend within one year include all long-term investments less the appropriation of endowment in the subsequent year of $19,372,000 and $15,145,000 for the years ended June 30, 2026 and 2025, respectively. In addition to the $108,234,000 of financial assets available to meet cash needs for general expenditure within one year, the University could access board-designated endowment funds with Board approval. The University had $101,925,000 and $77,115,000 in board-designated endowment funds as of June 30, 2026 and 2025, respectively.

(n) Revenue Recognition

The primary source of revenue comes from tuition and fees; however, other sources of revenue include auxiliary enterprises and grants and contracts.

Tuition and fees – Tuition and fees are recognized evenly over the applicable term and are not considered separate performance obligations. Student aid awarded reduces the amount of revenue recognized. Payments for tuition and fees are due prior to the start of the academic term and billed net of the related student award. The University has a tuition refund policy that allows students to drop courses, or withdraw, and receive a full or partial refund in the first 10 days of an academic term. Refunds issued reduce the amount of revenue recognized. Deferred tuition revenue is recorded when

cash is received for an academic period that has not yet occurred. The entire amount of deferred revenue was recognized evenly over the academic period in which a student attended classes.

Auxiliary enterprises – Auxiliary enterprises consist primarily of housing revenue. Housing revenue is recognized evenly over the period housing is provided. The University has a housing cancellation deadline that allows students to receive a full or partial refund in the first 10 days of an academic term. Refunds issued reduce the amount of revenue recognized.

(o) Contributions

A promise to give is conditional based on whether the agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets exists. A conditional promise to give becomes an unconditional promise to give when the barriers in the agreement are overcome. Unconditional promises to give are recognized as revenues when donors' commitments are received. Unconditional promises to give are recognized at the estimated net present value, net of an allowance for uncollectible amounts, and are classified in the net asset category in accordance with donor-imposed restriction. Contributions that have no donor-imposed restriction, including those contributions for which the restriction is met in the same year as received, are recognized as net assets without donor restriction. Contributions with donor-imposed restriction are reported as net assets with donor restriction. Once donor-imposed restrictions are met, net assets are released from net assets with donor restriction to net assets without donor restriction.

Governmental and private grants and contracts arrangements are nonreciprocal and are, therefore, considered contributions. The granting entity has not received a direct benefit in exchange for the resources provided. Revenue is recognized when the barrier to entitlement is overcome, which is when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

Contributions of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Contributions of long-lived assets with explicit restriction that specify how the assets are to be used and contributions of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restriction. Absent explicit donor stipulations, the University reports expirations of donor restriction when the donated or acquired long-lived assets are placed in service. Contributions for endowment funds or capital assets are not considered support of the ongoing operations of the University and are, therefore, included in the consolidated statements of activities as a nonoperating activity.

Fundraising expenses of $4,401,000 and $5,163,000 are included in institutional support in the consolidated statements of activities for the years ended June 30, 2026 and 2025, respectively.

(p) Operating and Nonoperating Changes in Net Assets

Operating activities include student-sourced revenues, such as tuition and fees and student housing. They also include grants and contracts, contributions for general operations, the allocation of endowment spending for current operations, return on investments designated for operating activities and other revenues that are ordinary and routine in nature, and all operating expenses.

Nonoperating activity consists of contributions for long-term purposes, investment returns net of amounts available for current operations, and other nonoperating expenses. Nonoperating activities tend to vary from year to year, such as changes in market values of investments. Accordingly, they are excluded from operating activities in order to preserve the comparability of the University's net operating results from year to year.

(3) Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Fair value of contributions receivable is based on the discounted value of estimated future cash flows. The discount rate is estimated based upon rates that take into consideration the associated risk. The discount rates used as of both June 30, 2026 and 2025 range from 3.65% to 4.21% and are expected to be realized in the following periods:

		2026	2025
		(In thousands)	
In one year or less	$	3,634	3,478
Between one year and five years		1,244	1,640
More than five years		10,592	10,585
Total contributions receivable		15,470	15,703
Less discount		(3,105)	(3,148)
Total contributions receivable, net	$	12,365	12,555

Contributions receivable at June 30, 2026 and 2025 are intended for the following uses:

		2026	2025
		(In thousands)	
Educational activities	$	2,279	1,928
Endowment		11,404	12,232
Facilities and equipment		1,420	1,020
General support		367	523
Total contributions receivable	$	15,470	15,703

As of June 30, 2026, conditional promises to give were $48,028,000. Of these promises to give, $42,306,000 was considered conditional due to the University being named a beneficiary in a revocable living trust, and $5,722,000 was conditional due to federal grants that were awarded; however, the University has limited discretion in the way the funds may be spent, which creates a barrier to entitlement.

On January 8, 2024, the University and a donor executed a Pledge and Gift Agreement to receive an art collection appraised at $300,000,000. The contribution is conditional due to the requirement for the

University to build a museum to display the art. The requirement to construct a museum is considered a barrier that must be overcome before the University is entitled to the collection. Subsequent to June 30, 2026, the donor selected art within the collection to sell changing the planned contribution and reducing the overall value of the contribution. The University will not consider any portion of the arrangement a contribution until an agreement is reached.

During the year ended June 30, 2024, the University was notified that it was a named beneficiary of an $80,000,000 unconditional contribution from an irrevocable trust. In the year ended June 30, 2025, the University received the full distribution from the trust including $29,600,000 in cash and cash equivalents and $50,400,000 in publicly traded securities. A portion received as equity securities is time-restricted for liquidation purposes and is recognized as donor-restricted net assets.

(4) Investments and Fair Value Hierarchy

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. FASB ASC Topic 820, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The standard describes the following three levels of inputs that may be used to measure fair value:

Level 1: Observable inputs such as quoted prices in active markets that the University has the ability to access at the measurement date.

Level 2: Inputs, other than quoted prices in active markets, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs where there is little or no market data for the asset or liability, requiring the University to develop its own assumptions.

The following discussion describes the valuation methodologies used for financial assets and liabilities measured at fair value. The techniques utilized in estimating the fair values are affected by the assumptions used.

Short-term investments at June 30, 2026 and 2025 are as follows:

	2026	2025
	(In thousands)	
Fixed-income securities	$ 39,485	60,371

Short-term investments consist of operating funds and funds held for fixed asset acquisition, managed as a laddered portfolio, fixed income portfolio, and money market funds, with the objectives of preserving principal, maintaining an appropriate degree of liquidity, and generating an appropriate risk-adjusted return.

The University classifies investments as short-term investments depending on liquidity considerations, intended purpose and use of the assets, and the investment time horizon, where original maturities are longer than 3 months but less than a year. These assets are recorded at fair value and are measured at year-end using Level 1 inputs.

Long-term investments include cash equivalents used for investing purposes, domestic equity securities, registered mutual funds, and various alternative investments. The carrying value of the University's long-term investments is based on valuations provided by the University's external investment fund managers or their custodians. These valuations include observable market quotation prices, observable inputs other than quoted prices such as price services or indexes, estimates, appraisals, assumptions, and other methods that are reviewed by management. Changes in market conditions and the economic environment may impact the net asset value (NAV) of the funds and, consequently, the fair value of the University's interests in the funds.

In accordance with ASC Subtopic 820-10, certain investments that are measured at 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. The following tables present the University's fair value hierarchy for those assets measured at fair value as of June 30, 2026 and 2025. The categorization of financial instruments within the hierarchy is based on price transparency and does not necessarily correspond to the perceived risk of the instruments.

Investments in marketable equity and mutual fund securities are stated at fair value based on quoted market prices. Fixed-income government obligations are held in a money market fund that accrues interest. Fixed-income bonds invest in various corporate bonds, municipality bonds, and treasury bonds that are valued by the University's OCIO. The University's interests in certain non-readily-marketable alternative investments, such as hedge funds and private equity limited partnerships, as a practical expedient, are

stated at an estimated fair value based on net asset value (NAV) estimates reported to the University by the investment managers.

	June 30, 2026			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Investments held at fair value:				
Cash equivalents	$ 16,954	16,954	—	—
Fixed income – Govt obligations	41,122	41,122	—	—
Mutual funds				
Fixed income	17,775	17,775	—	—
Domestic equity	191,005	191,005	—	—
Foreign equity	25,574	25,574	—	—
Fixed-income bonds				
Domestic	38,156	—	38,156	—
Foreign	3,033	—	3,033	—
Total cash and investments at fair value	333,619	292,430	41,189	—
Investments measured at NAV	188,553	n/a	n/a	n/a
Total internally pooled investments	522,172	292,430	41,189	—
Separately invested:				
Real estate	23,707	—	—	23,707
Other	6,217	6,217	—	—
Total separately invested	29,924	6,217	—	23,707
Total long-term investments	552,096	298,647	41,189	23,707
Funds held in trust by others	2,699	—	—	2,699
Assets held under split-interest agreements	16,315	—	16,315	—
Total investments and financial assets	$ 571,110	298,647	57,504	26,406

(Continued)

	June 30, 2025			
	Total	**Level 1**	**Level 2**	**Level 3**
	(In thousands)			
Investments held at fair value:				
Cash equivalents	$ 6,725	6,725	—	—
Fixed income – Govt obligations	31,233	31,233	—	—
Mutual funds			—	—
Fixed income	15,362	15,362	—	—
Domestic equity	156,572	156,572	—	—
Foreign equity	20,336	20,336	—	—
Fixed-income bonds				
Domestic	23,744	—	23,744	—
Foreign	2,568	—	2,568	—
Total cash and investments at fair value	256,540	230,228	26,312	—
Investments measured at NAV	142,654	n/a	n/a	n/a
Total internally pooled investments	399,194	230,228	26,312	—
Separately invested:				
Real estate	23,707	—	—	23,707
Other	5,448	5,448	—	—
Total separately invested	29,155	5,448	—	23,707
Total long-term investments	428,349	235,676	26,312	23,707
Funds held in trust by others	2,397	—	—	2,397
Assets held under split-interest agreements	9,953	—	9,953	—
Total investments and financial assets	$ 440,699	235,676	36,265	26,104

(Continued)

The following table presents additional information for investments measured at NAV on a recurring basis for the fiscal years ended June 30, 2026 and 2025:

	Net asset value			Redemption	
	Ending balance at June 30, 2026	Ending balance at June 30, 2025	Unfunded commitments at June 30, 2026	Frequency	Days notice
Collective investment funds:					
Non-U.S. equity	23,656	21,994	—	Monthly	60
Hedge funds:					
Absolute return	21	24	—	Quarterly	45–90
Income	36,584	24,092	—	Quarterly	45–90
Long/short	21,909	17,095	—	Quarterly	45–90
Private equity partnerships:					
Buyout	26,252	18,608	20,144	N/A	N/A
Distressed	2,825	2,888	2,312	N/A	N/A
Income strategies	6,811	8,054	2,597	N/A	N/A
Real estate	569	55	1,430	N/A	N/A
Secondaries	9,379	7,330	2,462	N/A	N/A
Venture capital	60,547	42,514	21,224	N/A	N/A
	$ 188,553	142,654	50,169		

The following describes investee strategies and other restrictions in connection with alternative investments:

- *Collective investment funds* – The non-U.S. equity subcategory consists of investments in non-U.S. developed markets equities.
- *Hedge funds* – This category invests in long and short marketable equity-oriented positions, and generally includes domestic, global, opportunistic themes, event driven strategies such as merger arbitrage, distressed debt, and special situations investing. These funds have the flexibility to invest in a wide array of other types of securities as deemed appropriate by the fund managers to carry out the funds' objectives.
- *Private equity partnerships* – This category includes direct investment funds and fund of funds structured as commitment based limited partnerships, where the limited partner commits to invest a maximum dollar amount, which is drawn down over the term of the partnership, as individual investment opportunities are identified by the fund manager. Limited partnership interests in such funds generally cannot be redeemed, and distributions are received from fund managers typically upon liquidation of underlying assets within the funds' portfolios. It is expected that the majority of underlying funds will reach the end of their lives over the next 10 years. The buyout subcategory includes fund of funds, which primarily invest in small-mid-market and large leveraged buyout funds, both domestic and internationally, with a mixture of other strategies including venture capital and growth equity. The

(Continued)

distressed subcategory consists of funds that invest in various types of distressed securities across a wide range of industries, both domestic and foreign, often with the goal of achieving turnarounds by influence or control positions over investee companies. The income strategies subcategory consists of direct investment funds that invest in discounted forced investment sales and in credit investment opportunities that require restructuring and complex capital solutions. The real estate subcategory consists of investments in real estate property. The secondaries subcategory consists of positions purchased in existing private equity partnerships on the secondary market, often at a discount to the current holding value of the purchase assets. The venture capital subcategory includes direct investment funds and fund of funds that invest primarily in earlier stage financing of domestic private companies, typically in the information technology and healthcare sectors.

- Real property – This category includes investments in real estate property. The following table represents the University's Level 3 financial instruments, the valuation techniques used to measure the fair value of those financial instruments, and the significant unobservable inputs of the ranges of values for those inputs

Year ended	Instrument	Fair value	Principal valuation technique	Significant unobservable inputs	Range of significant input values	Weighted average
June 30, 2026	Real property	$ 23,707,000	comparables	Price/square foot	270-435	355
June 30, 2025	Real property	23,707,000	comparables	Price/square foot	270-435	355

There were no purchases, redemptions, or transfers into or out of any Level 3 assets measured at fair value on a recurring basis for the fiscal years ended June 30, 2026 and 2025.

(5) Endowment

The University has a policy that interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established, subject to the intent of the donor as expressed in the gift instrument. The University classifies net assets with donor restrictions as the original value of gifts to donor-restricted endowments, the original value of subsequent gifts made to donor-restricted endowments, and income or appreciation of donor-restricted endowments that donors have stipulated are not expendable. The remaining portion of the donor-restricted endowment fund that is not classified as donor restricted net assets is classified as net assets with donor restrictions, appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following table represents endowment net assets composition by type of fund as of June 30, 2026:

	Without donor restriction	With donor restriction		Total
		Original gift	Accumulated return on investments, net of distributions	
	(In thousands)			
Board-designated funds	$ 101,925	—	—	101,925
Donor-restricted funds	—	272,870	105,476	378,346
Total funds	$ 101,925	272,870	105,476	480,271

The following table represents changes in endowment net assets for the year ended June 30, 2026:

	Without donor restriction	With donor restriction	Total
	(In thousands)		
Endowment net assets at July 1, 2025	$ 77,115	293,363	370,478
Investment return, net	14,349	44,105	58,454
Appropriation of endowment assets for expenditure	(4,616)	(11,348)	(15,964)
Contributions	77	48,904	48,981
Transfers	15,000	3,322	18,322
Endowment net assets at June 30, 2026	$ 101,925	378,346	480,271

The following table represents endowment net assets composition by type of fund as of June 30, 2025:

	Without donor restriction	With donor restriction		Total
		Original gift	Accumulated return on investments, net of distributions	
	(In thousands)			
Board-designated funds	$ 77,115	—	—	77,115
Donor-restricted funds	—	220,105	73,258	293,363
Total funds	$ 77,115	220,105	73,258	370,478

(Continued)

The following table represents changes in endowment net assets for the year ended June 30, 2025:

	Without donor restriction	With donor restriction	Total
		(In thousands)	
Endowment net assets at July 1, 2024	$ 72,380	245,925	318,305
Investment return, net	5,273	26,410	31,683
Appropriation of endowment assets for expenditure	(4,547)	(9,816)	(14,363)
Contributions	9	29,350	29,359
Transfers	4,000	1,494	5,494
Endowment net assets at June 30, 2025	$ 77,115	293,363	370,478

As of June 30, 2026, 4 individual donor-restricted endowment funds, out of a total of 569, had fair values that were $290,000 less than their original contributed amount of $951,000. As of June 30, 2025, 6 individual donor-restricted endowment funds, out of a total of 563, had fair values that were $839,000 less than their original contributed amount of $6,951,000. The University does appropriate for expenditure from an endowment when the fair value of the fund is less than the original gift amount.

(6) Property, Plant, and Equipment

Property, plant, and equipment comprises the following at June 30, 2026 and 2025:

	2026	2025
	(In thousands)	
Land and improvements	$ 142,315	138,722
Buildings and improvements	561,462	562,232
Equipment and computer hardware	52,289	52,155
Library books and art objects	68,224	65,728
Construction in progress	15,469	6,917
	839,759	825,754
Less accumulated depreciation	(320,118)	(304,615)
Property, plant, and equipment, net	$ 519,641	521,139

Depreciation expense for the years ended June 30, 2026 and 2025 totaled $21,708,000 and $20,194,000, respectively. There were no interest costs capitalized for the years ended June 30, 2026 and 2025.

(7) Bonds Payable

Bonds payable comprise the following at June 30, 2026 and 2025:

	2026	2025
	(In thousands)	
Bonds payable to the Washington Higher Education Facilities Authority (WHEFA) (interest due semiannually on November 1 and May 1):		
Series 2008A, weekly variable interest rate. Weekly variable rate (set by the remarketing agent) in effect on June 30, 2026 was 1.65%, principal due annually in increasing amounts from $1,700 in May 2027 to $1,825 in May 2028	$ 3,585	5,285
Series 2015, interest at a fixed rate of 2.93% per annum, principal due annually from $2,779 in November 2026 to a maximum of $3,321 in November 2031 with final maturity in November 2037	31,562	34,341
Series 2017, interest at fixed rates ranging from 3.45% to 5.00% per annum, principal due in increasing amounts from $2,095 in May 2029 to $6,165 in May 2039	41,860	41,860
Series 2020, interest at fixed rates ranging from 3.50% to 5.00% per annum, principal due periodically from $750 in May 2027 to $5,485 in May 2050	56,660	57,410
	133,667	138,896
Net of unamortized premiums, discounts, and debt issuance costs	3,505	3,668
	$ 137,172	142,564

Annual maturities of bonds payable are as follows (in thousands):

Year ending June 30:	
2027	$ 5,415
2028	5,615
2029	5,811
2030	6,039
2031	6,275
Thereafter	104,512
	$ 133,667

(Continued)

As a condition of issuance of the WHEFA bonds, the University has agreed to certain covenants for the protection of bond owners. Management believes the University is in compliance with these covenants as of June 30, 2026.

The University is required to maintain an irrevocable letter of credit equal to the principal amount of the Series 2008A WHEFA Variable Rate Demand Refunding Revenue Bonds (the Bonds). The letter of credit is issued by U.S. Bank National Association (the Bank), pursuant to an irrevocable letter of credit agreement dated March 20, 2008, between the Bank and the University. The direct pay letter of credit is an irrevocable obligation that is scheduled to expire on May 1, 2028.

The Series 2008A bonds remarket every seven days. To the extent the Bonds do not remarket, a liquidity draw against the letter of credit may occur. Any draws under the letter of credit are subject to an accelerated repayment of the Bonds. Additionally, pursuant to the terms of the Reimbursement Agreement, if certain material adverse changes were to occur, such changes could result in the 2008A bonds becoming immediately due. There were no amounts outstanding on this letter of credit as of June 30, 2026 or 2025.

The University maintains a revolving line of credit with U.S. Bank that provides short-term working capital and interim financing for capital projects. The line of credit provides for maximum borrowings of up to $20,000,000. At June 30, 2026 and 2025, outstanding borrowings under this line of credit totaled $11,284,000 and $0, respectively. The line of credit bears interest at a variable rate equal to Daily Simple Overnight Financing Rate (SOFR) plus 1.00% (4.68% as of June 30, 2026). The agreement matures on June 30, 2027, and is secured by the general revenues of the University. Interest expense incurred on the line of credit for the year ended June 30, 2026, was $508,000. The agreement contains certain covenants, including requirements that the University maintain minimum liquidity levels and provide timely audited financial reports. As of June 30, 2026, the University was in compliance with all such covenants.

Total interest expense was $5,791,000 and $5,255,000 for the years ended June 30, 2026 and 2025, respectively.

(8) Interest Rate

Variable rate debt obligations inherently expose the University to variability in interest payments due to changes in interest rates. As such, the University believes it is prudent to limit the variability of debt service to the extent possible. To meet this intent, the University entered into an interest rate swap with the Bank of New York Mellon associated with the issuance of the Series 2008A variable rate demand notes. The notional amount of the swap at the time of issuance was $26,595,000, and there was no cash exchanged at the time of the acquisition due to the relationship between the variable rates and the swap rate at that time.

The interest rate swap does not meet the criteria for hedge accounting, and therefore, all changes in the fair value of the interest rate swap are reported on the consolidated statements of activities. For the years ended June 30, 2026 and 2025, the valuation of the swap resulted in a net unrealized gain (loss) of $37,000 and $(63,000), respectively. The related assets of $(9,000) and $(46,000), respectively, related to a cumulative loss are reported on the consolidated statements of financial position within other liabilities. This liability is recorded at fair value and is measured at year-end using Level 2 inputs. Cash flows related to the swap are reported in the operating section of the consolidated statements of cash flows. Provided that the University holds the swap to maturity, the value of the derivative will be $0. The swap transaction can be terminated at market rates at any time during the term of the swap upon all final settlements.

The University does not enter into derivative instruments for any purpose other than cash flow hedging purposes and does not speculate for investment purposes using derivative instruments.

(9) Income Taxes

The University is generally exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC and corresponding Washington State provisions. Certain University activities are unrelated business activities from which any net income derived is taxable under federal income tax law. No income tax provision has been recorded as the net income from any unrelated business activities is not material to the consolidated financial statements in the opinion of management.

(10) Retirement Plan

Amounts contributed by the University and charged to retirement plan expense for the years ended June 30, 2026 and 2025 were $11,865,000 and $11,692,000, respectively.

Effective January 1, 2023, the Plan was amended to 1) allow participants to defer up to 100% of their eligible compensation as Roth contributions, 2) include a provision whereby all newly eligible employees are automatically enrolled at a 5% deferral rate unless they elect a different deferral rate or not to participate in the Plan, 3) allow the University to make discretionary employer matching contributions to eligible participants hired on or after July 1, 2022, and 4) allow for different nonelective contribution formulas depending on whether eligible participants were employed by the University as of June 30, 2022.

The University may make discretionary matching and nonelective contributions to participants who are credited with at least 1,000 hours of service during the calendar year. For the year ended June 30, 2025, the University elected to match 100% of the first 5% of eligible compensation that participants contribute to the Plan for participants hired after June 30, 2022. For the years ended June 30, 2026 and June 30, 2025, the University made nonelective contributions equal to 10% or 5% of participants' eligible compensation depending on whether eligible participants were employed by the University as of June 30, 2022.

(11) Net Assets

The University's and Cornish Foundation's net assets consist of the following:

	2026	2025
	(In thousands)	
Without donor restriction:		
For current operations	$ 20,200	32,586
Designated for investment in property, plant, and equipment	54,837	53,619
Invested in property, plant, and equipment	346,216	350,273
Board-designated endowment funds	101,925	77,115
Total without donor restriction	523,178	513,593
With donor restriction:		
For educational activity purposes	29,568	33,848
For passage of time	57,842	45,777
For purchase of property, plant, and equipment	11,642	5,503
Endowment funds - University	374,343	289,434
Endowment funds - Cornish Foundation	4,003	3,929
Total with donor restriction	477,398	378,491
Total net assets	$ 1,000,576	892,084

(12) Leasing Arrangements

The University has leasing arrangements where the University is the lessor and leasing arrangements where the University is the lessee. These arrangements where the University is the lessee create right-of-use assets and lease liabilities. The University's policy is not to record a right-of-use asset and lease liability for leases with terms less than one year for operating leases.

As of June 30, 2026, the University is a party to one financing lease and to seven operating leases as the lessee. Six of these leases are for academic, office, and residential space and the other is an equipment lease. As of June 30, 2026 and 2025, the University recognized a lease liability of $23,585,000 and $23,242,000, respectively, with a right-of-use asset of $23,393,000 and $23,216,000, respectively, based on the present value of the minimum rental payments of such leases. Many of the University's leases provide for options to renew subsequent to the current term. The options to renew the leases were not considered when assessing the value of the right-of-use asset because the University was not reasonably certain that it will assert its option to renew these leases. Two leases include variable rent payments that increase each year based on the Consumer Price Index.

Quantitative information regarding the University's leases for the years ended June 30, 2026 and 2025 is as follows:

		2026	2025
Operating lease cost	$	2,987,000	2,140,000
Finance lease cost:			
Amortization of assets		168,000	14,000
Interest on lease liabilities		229,000	19,000
Total lease costs	$	3,384,000	2,173,000
Other information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows	$	3,218,000	2,264,000
Weighted average remaining lease term (in years)		11.73	10.29
Weighted average discount rate		4.43 %	4.00 %

Scheduled rental payments for operating leases are as follows (in thousands):

Year ending June 30:		
2027	$	3,261
2028		3,259
2029		3,207
2030		3,239
2031		2,349
Thereafter		15,944
Total rental payments		31,259
Less present value discount		(7,674)
Lease liabilities	$	23,585

The University has three ground leasing arrangements where the University is the lessor. Two ground leases on the First Hill campus have remaining terms of 49 years and 62 years and include rents that increase each year based on the Consumer Price Index. Cash received and reported in operating cash flows for lease payments in which the University acts as the lessor in the years ended June 30, 2026 and 2025 was $524,000 and $508,000, respectively. The third ground lease on the South Lake Union campus has a remaining term of 19 years unless extended with variable rent payments. The property includes a project operated by a third party to manage a facility that includes student housing and academic and administrative space. The operations of the property resulted in $288,000 and $0 of income to the University in the years ended June 30, 2026 and 2025, respectively.

(Continued)

Future minimum lease payments to be received under leasing agreements are as follows (in thousands):

Year ending June 30:		
2027	$	524
2028		524
2029		524
2030		524
2031		524
Thereafter		27,590
	$	30,210

(13) Contingencies

The University is a defendant in various legal actions. While the outcome of these actions is not currently determinable, management is of the opinion that any uninsured liability from such actions will not have a material effect on the University's financial position.

Certain federal grants, including financial aid that the University administers and for which it receives reimbursements, are subject to audit and final acceptance by federal granting agencies. Current and prior year costs of such grants are subject to adjustment upon audit. The amount of expenditures that may be disallowed by the grantor, if any, cannot be determined at this time, although the University expects such amounts, if any, would not have a significant impact on the financial position of the University.

Approximately 7.2% of the University's non-faculty employees are covered under collective bargaining agreements. These employees provide maintenance, mechanical, custodial, and other technical services to the University. Bargaining disputes could adversely affect the University.

(14) Functional Expense Classification

The consolidated financial statements present expenses by functional classification in accordance with the overall mission of the University and industry standards. Each functional classification includes direct expenses related to the provision of a part of the University's operations as well as allocated costs, such as depreciation, interest expense, and plant operating costs. Depreciation expense for buildings and building improvements is allocated based on each building's principal use. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the debt. Plant operations and maintenance and other nonbuilding depreciation represent building occupancy costs that are allocated to functional categories on the basis of functional expense to total expense.

Expenses by functional and natural classification for the year ended June 30, 2026 were as follows (in thousands):

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total expenses
Salaries, wages, and benefits	$ 105,999	17,415	33,626	42,160	5,150	204,350
Depreciation	7,388	4,120	2,646	6,067	1,487	21,708
Professional services	7,503	1,730	5,169	5,426	2,265	22,093
Meetings, travel, and memberships	2,493	668	4,591	1,473	66	9,291
Occupancy, utilities, and maintenance	3,454	511	1,745	1,027	4,216	10,953
Supplies, printing, and marketing	1,740	2,778	3,186	751	153	8,608
Interest	2,484	2,405	249	176	477	5,791
Insurance, banking, and taxes	24	6	95	3,409	42	3,576
Other	199	1,141	1,680	2,830	(394)	5,456
	$ 131,284	30,774	52,987	63,319	13,462	291,826

Expenses by functional and natural classification for the year ended June 30, 2025 were as follows (in thousands):

	Instruction	Academic support	Student services	Institutional support	Auxiliary enterprises	Total expenses
Salaries, wages, and benefits	$ 100,683	17,563	33,221	37,430	4,805	193,702
Depreciation	6,583	3,908	2,584	5,841	1,278	20,194
Professional services	7,469	1,795	5,378	5,880	2,447	22,969
Meetings, travel, and memberships	2,515	640	4,874	1,396	33	9,458
Occupancy, utilities, and maintenance	1,651	525	1,446	1,023	4,076	8,721
Supplies, printing, and marketing	1,344	326	3,700	1,040	106	6,516
Interest	2,397	1,250	248	837	523	5,255
Insurance, banking, and taxes	24	5	105	3,067	33	3,234
Other	—	2,228	18	2,524	1,129	5,899
	$ 122,666	28,240	51,574	59,038	14,430	275,948

(Continued)

(15) Related Party Transactions

During the normal course of business, the University may engage in transactions with an entity or person with which the University or a member of the Board of Trustees is affiliated. The University has a policy to require trustees and officers to disclose affiliations and to review and authorize such transactions, as appropriate. For the years ended June 30, 2026 and 2025, there were no such transactions deemed material.

(16) Subsequent Events

The University has performed an evaluation of subsequent events from the consolidated statements of financial position date through November 3, 2026, which is the date these consolidated financial statements were issued, and has included all necessary adjustments and disclosures.

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