Whitworth University

Consolidated Financial Statements

for the years ended

June 30, 2026 and 2025

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Report of Independent Auditors

President and Board of Trustees
Whitworth University

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Whitworth University (a Washington nonprofit corporation), 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 consolidated financial position of Whitworth University as of June 30, 2026 and 2025, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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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 Whitworth University's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 Whitworth 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 Whitworth 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.

Baker Tilly US, LLP

Spokane, Washington
October 1, 2026

Whitworth University

Consolidated Statements of Financial Position
June 30, 2026 and 2025
(in thousands of dollars)

	2026	2025
Assets		
Cash and cash equivalents	$ 2,854	$ 4,849
Student accounts receivable, net	1,276	1,231
Contributions receivable, net	3,253	4,661
Other receivables	1,989	1,971
Prepaid expenses and other assets	2,733	2,541
Student loans receivable, net	1,379	1,320
Investments, net	242,380	211,917
Land, buildings, and equipment, net	137,321	138,874
Assets held in trust by others	34,947	32,530
Total assets	$ 428,132	$ 399,894
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 2,382	$ 3,439
Accrued payroll and related benefits	5,005	4,726
Deferred revenue and refundable advances	4,185	4,079
Asset retirement obligations	1,267	1,262
Accrued interest payable	940	970
Long-term debt	85,434	88,110
Annuities payable	8,956	8,193
Total liabilities	108,169	110,779
Net Assets		
Without donor restrictions	83,070	78,027
With donor restrictions	236,893	211,088
Total net assets	319,963	289,115
Total liabilities and net assets	$ 428,132	$ 399,894

Whitworth University

Consolidated Statements of Activities
Year Ended June 30, 2026
With Comparative Totals for 2025
(in thousands of dollars)

	2026			
	Without Donor Restrictions	With Donor Restrictions	Total	2025 Total
Revenues, Gains, and Other Support				
Operating Revenues				
Tuition and fees, net of institutional aid of $63,882 and $59,160, respectively	$ 48,545	$ -	$ 48,545	$ 46,354
Government grants	1,435	-	1,435	1,055
Contributions and gifts	4,344	463	4,807	6,847
Long-term investment income and gains allocated for operations	2,422	9,710	12,132	11,805
Other sources	2,412	59	2,471	1,991
Investment returns, net	2,267	-	2,267	2,662
Auxiliary enterprises revenues	13,779	-	13,779	13,191
	75,204	10,232	85,436	83,905
Net assets released from restrictions, operating	11,532	(11,532)	-	-
Total operating revenues, gains, and other support	86,736	(1,300)	85,436	83,905
Operating Expenses				
Program expenses				
Instruction	33,912	-	33,912	32,750
Public service	2,293	-	2,293	1,916
Academic support	9,248	-	9,248	9,569
Student services	20,117	-	20,117	18,913
Auxiliary enterprises	9,198	-	9,198	9,931
Support expenses				
Institutional support	15,541	-	15,541	13,828
Allocable expenses				
Operation and maintenance of plant	8,280	-	8,280	7,171
Interest	3,639	-	3,639	3,869
Unfunded depreciation, amortization and accretion	5,559	-	5,559	5,677
Less allocated expenses	(17,478)	-	(17,478)	(16,717)
Total operating expenses	90,309	-	90,309	86,907
Change in net assets from operating activities	(3,573)	(1,300)	(4,873)	(3,002)
Nonoperating Activities				
Long-term investment returns	5,299	25,205	30,504	20,489
Endowment income allocated for operations	(2,422)	(9,710)	(12,132)	(11,805)
Long-term investment returns, net of allocation to operations	2,877	15,495	18,372	8,684
Change in value of assets held in trust by others	-	2,443	2,443	1,312
Contributions and gifts	181	12,653	12,834	3,563
Adjustment to actuarial liability for annuities payable	505	1,924	2,429	711
Other sources	(157)	(9)	(166)	(118)
Adjustment to prior service cost and actuarial liability for retiree health plan	(191)	-	(191)	228
Net assets released from restrictions, nonoperating	5,401	(5,401)	-	-
Change in net assets from nonoperating activities	8,616	27,105	35,721	14,380
Change in net assets	5,043	25,805	30,848	11,378
Net Assets, Beginning	78,027	211,088	289,115	277,737
Net Assets, Ending	$ 83,070	$ 236,893	$ 319,963	$ 289,115

Whitworth University

Consolidated Statements of Activities
Year Ended June 30, 2025
(in thousands of dollars)

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Operating Revenues			
Tuition and fees, net of institutional aid of $59,160	$ 46,354	$ -	$ 46,354
Government grants	1,055	-	1,055
Contributions and gifts	3,603	3,244	6,847
Long-term investment income and gains allocated for operations	2,083	9,722	11,805
Other sources	1,927	64	1,991
Investment returns, net	2,662	-	2,662
Auxiliary enterprises revenues	13,191	-	13,191
	70,875	13,030	83,905
Net assets released from restrictions, operating	12,210	(12,210)	-
Total operating revenues, gains, and other support	83,085	820	83,905
Operating Expenses			
Program expenses			
Instruction	32,750	-	32,750
Public service	1,916	-	1,916
Academic support	9,569	-	9,569
Student services	18,913	-	18,913
Auxiliary enterprises	9,931	-	9,931
Support expenses			
Institutional support	13,828	-	13,828
Allocable expenses			
Operation and maintenance of plant	7,171	-	7,171
Interest	3,869	-	3,869
Unfunded depreciation, amortization and accretion	5,677	-	5,677
Less allocated expenses	(16,717)	-	(16,717)
Total operating expenses	86,907	-	86,907
Change in net assets from operating activities	(3,822)	820	(3,002)
Nonoperating Activities			
Long-term investment returns	3,233	17,256	20,489
Endowment income allocated for operations	(2,083)	(9,722)	(11,805)
Long-term investment returns, net of allocation to operations	1,150	7,534	8,684
Change in value of assets held in trust by others	-	1,312	1,312
Contributions and gifts	341	3,222	3,563
Adjustment to actuarial liability for annuities payable	102	609	711
Other sources	(124)	6	(118)
Adjustment to prior service cost and actuarial liability for retiree health plan	228	-	228
Net assets released from restrictions, nonoperating	36	(36)	-
Change in net assets from nonoperating activities	1,733	12,647	14,380
Change in net assets	(2,089)	13,467	11,378
Net Assets, Beginning	80,116	197,621	277,737
Net Assets, Ending	$ 78,027	$ 211,088	$ 289,115

Whitworth University

Consolidated Statements of Cash Flows
Years Ended June 30, 2026 and 2025
(in thousands of dollars)

	2026	2025
Cash Flows From Operating Activities		
Change in net assets	$ 30,848	$ 11,378
Adjustments to reconcile change in net assets to net cash flows		
from operating activities:		
Depreciation, amortization, and accretion	5,559	5,677
Adjustment to prior service cost and actuarial liability for retiree health plan	191	(228)
Adjustment to actuarial liability for annuities payable	(2,429)	(711)
Net gains on investments	(31,107)	(21,586)
Change in value of assets held in trust by others	(2,417)	(1,312)
Change in allowance on student accounts receivable	25	50
Loan cancellations, assignments, and write-offs	268	221
Change in assets:		
Student accounts receivable	(70)	91
Other receivables	(18)	(391)
Prepaid expenses and other assets	(192)	534
Contributions receivable for operations	1,234	(1,512)
Contributions receivable for foundation, plant, and endowment	174	3,005
Change in liabilities:		
Accounts payable, other liabilities, and accrued interest payable	(1,082)	697
Accrued payroll and related benefits	88	16
Deferred revenue and refundable advances	106	(907)
Contributions restricted for foundation, plant, and endowment	(12,834)	(3,563)
Net cash flows from operating activities	(11,656)	(8,541)
Cash Flows From Investing Activities		
Student loans receivable		
Principal repayments	157	136
Advances	(484)	(664)
Purchases of land, buildings, and equipment	(4,231)	(14,631)
Proceeds from sales of long-term investments	93,340	168,636
Purchases of long-term investments	(88,696)	(148,182)
Net cash flows from investing activities	86	5,295
Cash Flows From Financing Activities		
Contributions received restricted for foundation, plant, and endowment	12,834	3,563
Drawdowns of debt proceeds/(income earned on) deposits held by trustee	-	4,254
Payments on long-term debt	(2,451)	(2,565)
Payments to annuitants	(808)	(709)
Net change in federal student loan funds	-	(206)
Net cash flows from financing activities	9,575	4,337
Net change in cash and cash equivalents	(1,995)	991
Cash and Cash Equivalents, Beginning	4,849	3,858
Cash and Cash Equivalents, Ending	$ 2,854	$ 4,849
Supplemental Disclosures		
Interest paid (net of capitalized interest)	$ 3,639	$ 3,869
Capitalized interest	$ 151	$ 38
Capital acquisitions included in accounts payable	$ 21	$ 902

Note 1 – Summary of Significant Accounting Policies

Whitworth University, a higher education institution founded in 1890, was incorporated in 1972 as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is located in Spokane, Washington. Whitworth University's primary source of revenue comes from tuition. Other sources of revenue include room and board, gifts, and investment earnings. The consolidated financial statements have been prepared on the accrual basis of accounting. Significant accounting policies are summarized below.

Basis of Presentation

Consolidation – The consolidated financial statements include the accounts of Whitworth University (the University), Whitworth Costa Rica Limited, and The Whitworth Foundation (the Foundation), collectively referred to as the University. The purpose of Whitworth Costa Rica Limited is to provide educational services to Whitworth University students at a campus located in Costa Rica and the purpose of the Foundation is to seek out and obtain deferred gifts to support Whitworth University. See Note 18 for summarized financial information related to these entities. All transactions and balances between the entities have been eliminated in the consolidated financial statements.

Cash and Cash Equivalents – The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. At times, the University maintains amounts in banks that are in excess of federally insured limits.

Student Accounts Receivable, Net – Student accounts receivable include amounts due to the University for tuition, fees, room, and board.

The University recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the consolidated statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The University pools these receivables based on similar risk characteristics in estimating expected credit losses. Receivables are written off when the University determines that such receivables are deemed uncollectible.

The University utilizes the aging method in determining its lifetime expected credit losses on accounts receivable. In determining its loss rates, the University evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. The allowance for credit losses was $675 and $650 as of June 30, 2026 and 2025, respectively. Bad debts are expensed when deemed uncollectible. Recoveries of student accounts previously written off are recorded when received. Receivables are generally unsecured.

Contributions Receivable, Net – Contribution revenue is recorded when a donor makes an unconditional commitment. Conditional promises to give are not recognized as contribution revenue or contributions receivable until the donor-imposed conditions have been substantially met or explicitly waived; accordingly, such commitments are excluded from the statement of financial position until that time. Unconditional pledges are measured at the present value of expected future cash flows, discounted using appropriate rates and reduced by an allowance for uncollectible amounts. The discount rates reflect the level of risk and correspond to the periods in which the pledges are expected to be received, ranging from 0.6% to 6.0% as of June 30, 2026 and 2025. An allowance for doubtful accounts is established based on past collection experience and current conditions, and balances are written off when collection is deemed unlikely. Commitments that are intended for future periods or restricted by donors for specific purposes are recognized as revenue with donor-imposed restrictions.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include prepaid operating costs and certain noncurrent assets. Included in this balance is the University's Costa Rica campus property, which was acquired to support international educational programs. After academic operations at the site ceased, the property was written down in a prior year to its estimated recoverable value of $1.0 million. The property is currently occupied and maintained by a third-party nonprofit organization under a long-term use agreement. Management evaluates the asset for indicators of impairment on an ongoing basis and concluded that the estimated realizable value of the property exceeds its carrying value; therefore, no impairment charge was recognized during the years ended June 30, 2026 and 2025.

Investments, Net – The University oversees its investments through external investment managers. These managers allocate funds across a range of financial instruments in line with investment policies approved by the Board of Trustees of the University (Board). To support diversification and achieve cost efficiencies, the University's policy is to combine endowment funds and other long-term assets into pooled investment portfolios whenever allowed under donor agreements and applicable regulations.

All investments are reported at fair value in the University's consolidated financial statements. Contributions of investments are recorded at their fair value at the time they are received. Investment returns are presented net of external management fees. These returns are reflected in the consolidated statements of activities as increases or decreases in either net assets without donor restrictions or net assets with donor restrictions.

The University's investment portfolio is subject to a variety of risks, including fluctuations in interest rates, market conditions, foreign currency exchange rates, credit exposure, and regulatory changes. Given these risks, it is reasonably possible that investment values may change in the near term, potentially affecting total net assets and reported amounts in the consolidated financial statements. However, such fluctuations would not alter the reported balances in the consolidated statement of financial position as of the reporting date.

Land, Buildings, and Equipment, Net – Land, buildings, and equipment, including improvements, are recorded at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes land, buildings, building and other improvements, and equipment expenditures in excess of ten thousand dollars. Title to land and buildings is principally in the name of the University. Buildings, building improvements, and equipment are depreciated using the straight-line method over the following estimated useful lives:

	Years
Buildings	30 – 65
Building and other improvements	5 – 30
Equipment	5 – 10

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed and the resulting gains or losses are reflected in the consolidated statements of activities.

Assets Held in Trust by Others – The University is the beneficiary of trusts held and administered by independent trustees. The University records its beneficial interests in these trusts as assets and nonoperating contribution revenue when notified of its irrevocable interest and when the fair value of the expected future benefits can be reasonably estimated. Beneficial interests are recorded at fair value based upon the present value of the expected future cash flows to be received or the University's estimated share of the underlying trust assets if held in perpetuity. The trusts are invested primarily in marketable securities and real estate-related assets. Subsequent changes in the value of beneficial interests are recognized as nonoperating activities. As of June 30, 2026, the University was beneficiary of 34 trusts held by external fiduciaries. The University's two largest trust interests comprise approximately 72% of the total value of these beneficial interests.

Deferred Revenue and Refundable Advances – Revenues related to tuition and other student deposits associated with programs which will take place in the next fiscal year are deferred and recognized as revenue as the performance obligation is satisfied, that is, ratably over the duration of the program delivery. Students are generally billed for courses and programs prior to the start of the course or program. Refundable advances represent consideration received under service concession arrangements and are recognized as a reduction of operating expenses or as revenue from other sources over the term of the agreements.

Asset Retirement Obligations – The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is known, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of activities. The University reviews its estimates annually and adjusts the recorded liability as needed.

Substantially all of the University's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligations.

Changes in the accrual for asset retirement obligations during the years ended June 30, 2026 and 2025 are as follows:

	2026	2025
Balance, beginning	$ 1,262	$ 1,225
Abatements	(54)	(6)
Accretion expense	69	67
Revisions in estimated cash flow	(10)	(24)
Balance, ending	$ 1,267	$ 1,262

Net Asset Classification – For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying consolidated financial statements in the categories that follow:

With Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time. The University's net assets held in perpetuity are endowment funds invested to support scholarships and various academic programs.

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

The Board has established policies that affect the presentation of Board designations on net assets without donor restrictions. Bequests and matured deferred gifts without donor restrictions are added to the Board designated endowment, unless the Board specifically authorizes they be used for other purposes. The Board has designated other funds for future capital projects and related initiatives and has delegated to management the authority to approve expenditures of these funds.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in that category. Investment income received with donor-imposed restrictions are reported as revenues with donor restrictions and released when expenses are incurred for their intended purpose.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from donor restrictions. However, contributions received with donor-imposed restrictions that are met in the same year are reported as revenues without donor restrictions. Conditional promises to give are those with a measurable performance or other barrier and a right of return. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues with donor restrictions; the restrictions are considered to be met and released when the asset is placed in service, unless otherwise stipulated by the donor.

Gains and losses on investments are reflected in the net asset category of the corresponding assets. Investment gains and losses earned on donor endowed funds are subject to Uniform Prudent Management of Institutional Funds Act (UPMIFA).

Measure of Operations – Operating revenues and expenses relate primarily to educational programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other nonoperating funds to support current operating activities. Nonoperating activities consist primarily of investment returns, net of amounts made available for current support via the University's spending policy, gifts for long-term purposes such as plant projects and endowment funds, and net assets released from restrictions for plant, adjustments to actuarial liabilities, adjustments to prior service costs, and actuarial liability for retiree health plan and revenues from other sources.

Tuition and Fees Revenue, Net – The University provides academic instruction toward baccalaureate, master, and doctoral degrees. Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional aid awarded to students reduces the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first eight weeks of the semester may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due August 15th for the Fall semester, January 15th for the Spring semester and 30 days after billing for the Summer session. Performance obligations for certain ancillary services are satisfied when the service is performed. The University applies the practical expedient allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the 2026/2027 academic year. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the University's policies.

Contract liabilities related to tuition and fee revenue consist of deferred revenue, representing amounts collected in advance of the related academic term. Ending deferred revenue balances were as follows:

	June 30, 2026	June 30, 2025	June 30, 2024
Deferred revenue	$ 1,193	$ 1,177	$ 1,693

Government Grants – Revenues from government grants are considered to be conditional contributions as the transactions are nonreciprocal in nature and contain a right of return. As such, revenues from grants are recognized when the conditions are met, that is, as allowable expenditures under such agreements are incurred and reported as increases in net assets without donor restrictions.

Auxiliary Enterprise Revenue – The University also provides auxiliary services, such as residence and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the University within the first eight weeks of the semester may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Impairment of Long-Lived Assets – The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. For the years ended June 30, 2026 and 2025, there were no impairment losses of significance recognized for long-lived assets.

Income Tax Status – The Internal Revenue Service has determined that both the University and Foundation are exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the University and Foundation are not subject to federal income taxes except to the extent they generate income from certain activities not substantially related to their tax-exempt purpose (unrelated trade or business activities). Donations to the University and Foundation are tax deductible. Whitworth Costa Rica Limited is a taxable corporation for purposes of Costa Rican income tax law.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the consolidated financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2026 and 2025. The University's tax returns are subject to review and examination by federal authorities.

Use of Estimates – The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising – Advertising expenses totaled $1,897 and $1,267 for the years ended June 30, 2026 and 2025, respectively. Advertising is utilized to promote student enrollment efforts, and costs are expensed when incurred.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in Note 17. Accordingly, certain expenses have been allocated among the programs and supporting services benefited. Operation and maintenance of plant is allocated based on operational activity for each functional category. Interest, depreciation, and amortization expenses are allocated based on the approximate square footage of space occupied by various departments. Costs, including salaries and wages, not allocated using the methods described above, are charged directly to the appropriate functional category.

Reclassifications – Certain amounts appearing in the 2025 consolidated financial statements have been reclassified to conform with the 2026 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

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

The University has evaluated subsequent events through October 1, 2026, which is the date the consolidated financial statements were available to be issued.

Note 2 – Liquidity and Availability

The following table reflects the University's financial assets available for general expenditures within one year, as of June 30, 2026 and 2025. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the Board, bond reserves that can only be used for specific capital projects, assets held for or by others, and annuity reserves.

	2026	2025
Financial assets:		
Cash and cash equivalents	$ 2,854	$ 4,849
Contributions receivable, net of construction projects, endowments, and receivables beyond one year	255	357
Accounts receivable from students and others	3,265	3,202
Student loan receivables, net of restricted amounts and payments beyond one year	50	43
Investments available for general purposes, net	1,577	3,006
Appropriation of endowment assets for next year	9,123	7,258
Financial assets available within one year at June 30	$ 17,124	$ 18,715

Investments available for general purposes, net, consists of total investments reduced by endowment cash and investments, other board-designated investments, and investments held for others connected to split-interest agreements.

The University's practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due and targets a minimum of 60 days of operating expense coverage at any point in time. At June 30, 2026 and 2025, the University has achieved this target.

Cash in excess of daily requirements is typically invested in short-term liquid securities. The University also has an unsecured $1.0 million line of credit with Wells Fargo Bank currently available through February 1, 2027. No funds have been drawn from this line since its inception. Borrowings under this line of credit bear interest at an annual rate of 2.50% above the Daily Simple Secured Overnight Financing Rate. Interest is payable on the last day of each month.

Note 3 – Contributions Receivable, Net

Contributions receivable, net, include the following unconditional promises to give at June 30:

	2026	2025
Without donor restrictions, completed capital projects	$ 517	$ 414
Without donor restrictions, operating	85	75
With donor restrictions:		
Current scholarships, departmental programs and activities	1,658	3,152
Building construction and remodeling	890	1,408
Endowment for scholarships and departmental programs and activities	487	248
Total unconditional promises to give	3,637	5,297
Less allowance for uncollectible promises	(225)	(350)
Less unamortized discount	(159)	(286)
Total contributions receivable, net	$ 3,253	$ 4,661
Amounts due in:		
Within one year	$ 551	$ 1,764
One to five years	3,086	3,533
Total unconditional promises to give	$ 3,637	$ 5,297

At June 30, 2026 and 2025, the University had approximately $3,961 and $5,660, respectively, of conditional contributions outstanding on various grants, whereby, the conditions will be met (and revenue recognized) upon incurring certain qualifying expenditures.

Note 4 – Student Loans Receivable, Net

The University issues uncollateralized loans to students based on financial need. Student loans are funded through federal government loan programs or institutional resources. Student loans receivable, net, are carried at the amount of unpaid principal less an estimate for credit losses. Allowances for credit losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence borrowers' ability to repay under the loan terms. Credit quality is monitored through delinquency trends, and expected credit losses are estimated using historical losses adjusted for historical trends, current conditions, and supportable forecasts, with reversion to historical experience thereafter.

At June 30, 2026 and 2025, student loans receivable, net, consisted of the following:

	2026	2025
Institutional program	$ 1,770	$ 1,644
Less allowance for credit losses:		
Beginning of year	(324)	(193)
Additions to allowance for credit losses	(198)	(220)
Write-offs	131	89
Total allowance for credit losses	(391)	(324)
Student loans receivable, net	$ 1,379	$ 1,320

Note 5 – Fair Value Measurements

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included in 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 for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or market-corroborated inputs.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 assets include:

- Investments in cash and short-term cash equivalents.
- Investments in equity securities and mutual funds for which quoted prices are readily available.
- Investments in certain fixed income securities (U.S. Treasury notes) as they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis.

Level 2 assets include:

- Investments in certain fixed income securities (corporate bonds and notes) and mutual funds for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.
- Investments in life insurance in which the cash surrender value of the policy is available.

Level 3 assets include:

- Assets held in trust by others for which quoted prices are not readily available. The fair value of the University’s assets held in trust by others is estimated based on the fair value of the trust’s total assets and the University’s irrevocable beneficial interest in each trust.
- Since the University has an irrevocable right to receive the income earned from the trusts’ assets, the fair value of the University’s beneficial interest is estimated to approximate the fair value of the trusts’ assets.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The University measures the fair value for certain alternative investments based on net asset value (NAV) as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the University's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions, and the overall economic environment.

There have been no changes in the techniques and inputs used as of June 30, 2026 and 2025.

While the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2026:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 12,020	$ 12,020	$ -	$ -
Equity securities	1,737	1,737	-	-
Fixed income securities	15,883	15,520	363	-
Mutual funds:				
Domestic equity	14,583	14,583	-	-
Domestic fixed income	10,818	10,818	-	-
International equity	11,191	11,191	-	-
International fixed income	1,073	1,073	-	-
Single premium life insurance policy	186	-	186	-
Cash surrender value of life insurance policies	3,948	-	3,948	-
Assets held in trust by others	34,947	-	-	34,947
Subtotal by valuation hierarchy	106,386	$ 66,942	$ 4,497	$ 34,947
Alternative investments measured using net asset value	170,941			
Total assets at fair value	$ 277,327			

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2025:

	Total	Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$ 10,792	$ 10,792	$ -	$ -
Equity securities	1,645	1,645	-	-
Fixed income securities	13,286	12,614	672	-
Mutual funds:				
Domestic equity	8,412	8,412	-	-
Domestic fixed income	11,887	11,887	-	-
International equity	5,708	5,708	-	-
International fixed income	746	746	-	-
Single premium life insurance policy	179	-	179	-
Cash surrender value of life insurance policies	3,856	-	3,856	-
Real estate	1,930	-	-	1,930
Assets held in trust by others	32,530	-	-	32,530
Subtotal by valuation hierarchy	90,971	$ 51,804	$ 4,707	$ 34,460
Alternative investments measured using net asset value	153,476			
Total assets at fair value	$ 244,447			

The following table presents the changes in Level 3 assets, assets held in trust by others and real estate, measured at fair value on a recurring basis for the years ended June 30:

	2026	2025
Fair value of Level 3 asset, beginning of the year	$ 34,460	$ 33,148
Unrealized gains (losses)	3,788	2,662
Sale of assets	(1,930)	-
Proceeds from distributions	(1,371)	(1,350)
Fair value of Level 3 assets, end of the year	$ 34,947	$ 34,460

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of June 30, 2026 and 2025:

	Commingled Funds	Hedge Funds	Real Assets	Limited Partnerships	Private Equity Funds
Fair value, June 30, 2026	$ 131,045	$ 6,306	$ 8,218	$ 11,923	$ 13,449
Fair value, June 30, 2025	117,519	5,311	9,491	9,465	11,690
Unfunded commitments	-	-	508	2,044	3,422

Commingled Funds – Pooled equity and debt funds that provide broad exposure to global public markets through professionally managed portfolios. These investments are highly liquid and are generally redeemable at NAV, subject to the notice provisions established by the underlying fund managers, between 1 to 31 days.

Hedge funds – Investments structured to diversify risk away from traditional return sources and to reduce correlation with broader equity and income markets. These investments are redeemable, subject to the notice provisions established by the underlying fund managers, between 16 to 31 days.

Real assets – Real estate, infrastructure, and other tangible assets intended to generate long-term returns that exceed inflation and preserve purchasing power. Remaining commitments are expected to be drawn over approximately two to four years. These investments are generally not redeemable and have a minimum remaining life of approximately eight years.

Limited partnerships – Investments structured to hold ownership in private companies with the goal of achieving returns higher than those available in public equity markets. Remaining commitments are expected to be drawn over approximately two to four years. These investments are generally not redeemable and have a minimum remaining life of approximately 13 years.

Private Equity Funds – Privately held businesses intended to yield higher returns than public markets. Remaining commitments are expected to be drawn over approximately two years. These investments are generally not redeemable and have an estimated remaining life of approximately two years.

Note 6 – Investments, Net

The following summarizes the University's investments at June 30:

	2026	2025
Investments:		
Cash and short-term investments	$ 12,020	$ 10,792
Equity securities	1,737	1,645
Fixed income securities	15,883	13,286
Mutual funds:		
Domestic equity	14,583	8,412
Domestic fixed income	10,818	11,887
International equity	11,191	5,708
International fixed income	1,073	746
Single premium life insurance policy	186	179
Cash surrender value of life insurance policies	3,948	3,856
Real estate	-	1,930
Alternative investments:		
Commingled funds	131,045	117,519
Funds of funds:		
Hedge funds	6,306	5,311
Real assets	8,218	9,491
Limited partnerships	11,923	9,465
Private equity funds	13,449	11,690
Total investments	$ 242,380	$ 211,917

Investments are subject to credit, interest rate, market, and liquidity risks. Accordingly, changes in investment values may materially affect amounts reported in the consolidated financial statements. Through certain investments, the University has indirect exposure to derivative instruments, with risk limited to its capital balance in each investment.

Note 7 - Life Insurance Policies

The University and Foundation have received gifts of several life insurance policies and are designated as both the owner and beneficiary of these life insurance policies. At June 30, 2026 and 2025, the insurance coverage aggregated approximately $6,051 and $6,044, respectively, and the cash surrender value totaled $3,948 and $3,856, respectively. Premium payments are required to be made by the donor or the University to continue coverage to the maturity dates.

Note 8 – Land, Buildings, and Equipment, Net

Components of land, buildings, and equipment, net, at June 30 are as follows:

	2026	2025
Land	$ 5,996	$ 5,996
Buildings	171,512	153,707
Building and other improvements	72,012	71,641
Equipment	22,319	21,948
Construction in progress	125	14,497
Total land, buildings, and equipment	271,964	267,789
Accumulated depreciation	(134,643)	(128,915)
Land, buildings, and equipment, net	$ 137,321	$ 138,874

Depreciation expense totaled $5,728 and $6,055 for the years ended June 30, 2026 and 2025, respectively. During the year ended June 30, 2026, construction of the PACCAR Engineering Building was completed, and approximately $14.5 million was transferred from construction in progress to buildings upon the building being placed in service. The University has pledged certain property on its campus located in Spokane, Washington to the repayment of its obligations under the loan agreements for the Series 2016 A, 2019 and 2022 Revenue Bonds (see Note 9).

Note 9 – Long-Term Debt

The University had the following long-term debt outstanding at June 30:

	2026	2025
Tax exempt bonds		
Series 2016 A	$ 45,390	$ 47,370
Series 2019	19,485	19,485
Series 2022	16,770	17,240
Total tax-exempt bonds	81,645	84,095
Unamortized net premium	4,414	4,676
Less deferred debt acquisition costs, net	(625)	(661)
Long-term debt	$ 85,434	$ 88,110

The Series 2016 A tax-exempt bonds, issued through Washington Higher Education Facilities Authority (WHEFA), have an original issuance of $47,660 and were issued in conjunction with the Series 2016 B bonds which have been repaid. The interest rate is fixed at 5.0%. Principal payments began in 2025 with final maturity in October 2040. The Series 2016 bonds were used to call the Series 2009 bonds.

The Series 2019 tax-exempt bonds, issued through WHEFA, have an original issuance of $19,485. The interest rate is fixed at 4.0%. Principal payments begin in 2042 with final maturity in October 2049.

The Series 2022 tax-exempt bonds, issued through WHEFA, have an original issuance of $18,450. The interest rates are fixed and range from 4.0% to 5.0%. Principal payments began in 2023 with final maturity in October 2046. The Series 2022 bonds were used to call the Series 2012 bonds.

The University has pledged its unrestricted revenues and certain property on its campus located in Spokane, Washington (see Note 8), to the repayment of its obligations under the loan agreements. As a condition of the issuance of the bonds, the University has agreed to certain covenants for the protection of bond owners, including maintaining in each fiscal year income available for debt service at least equal to 1.00 times annual debt service for each fiscal year beginning after the date of issuance of the bonds and continuing through the fiscal year that is two fiscal years after the last of the new facilities is placed in service, and 1.25 times annual debt service in each following fiscal year. Not meeting the required annual debt service ratio would not result in default but would increase the frequency of payments on the bonds.

The approximate principal and sinking fund payment requirements for all long-term debt for the five years subsequent to June 30, 2026 are:

	Principal
Years ending June 30,	
2027	$ 2,575
2028	2,700
2029	2,845
2030	2,985
2031	3,140
Thereafter	67,400
Total	$ 81,645

Certain costs related to the issuance of debt have been deferred and are being amortized over the term of the debt issue.

Note 10 – Split Interest Agreements

The University's investment portfolio contains split interest agreements held by the Foundation. Under a split interest agreement, a donor makes an initial gift to a trust or directly to the Foundation, in which the University has a beneficial interest but is not the sole beneficiary. The terms of some agreements do not allow donors to revoke their gifts. The time period covered by the agreement is expressed either as a specific number of years (or in perpetuity) or as the remaining life of an individual or individuals designated by the donor. The assets are invested and administered by the Foundation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, the remaining assets covered by the agreement are distributed to or retained by either the University or one or more other beneficiaries.

Most of the Foundation's agreements consist of irrevocable charitable remainder trusts and charitable gift annuities. Donors may impose restrictions on the University's use of all or a portion of any assets received. The Foundation recognizes a liability for estimated distributions to beneficiaries under these annuity agreements. The Foundation used the historical IRS discount rates in effect at the time the agreements were received by the Foundation in calculating the present values. Those rates range from 1.1% to 6.0%.

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 $474 and $517 as of June 30, 2026 and 2025, respectively.

At June 30, 2026 and 2025, investments subject to split interest agreements within the Foundation's investment portfolio totaled $17,299 and $14,539, respectively. Annually, calculations are performed to determine the amounts expected to be distributed to beneficiaries under split interest agreements. Those amounts are presented as annuities payable on the consolidated statements of financial position.

Note 11 – Employee Benefit Plans

The University provides a 403(b) defined contribution retirement plan (the Plan) for substantially all faculty and administrative personnel. Eligible employees contribute 2% of base compensation, which is matched by the University. The University also matches employee elective contributions up to an additional 6% of eligible compensation. Effective September 1, 2024, the maximum University match on elective contributions was temporarily reduced from 6% to 2% and remained at that level as of June 30, 2026.

All funds are fully vested as the contributions are made. The University's contributions to this plan were approximately $1,314 and $1,467 in 2026 and 2025, respectively.

In addition to providing retirement benefits, the University pays a portion of the premiums for certain health care benefits provided to selected retired employees who reach retirement age while working for the University. Certain retired employees are required to contribute a portion of the cost of their medical insurance coverage. The University accrues for these benefits over the service lives of the employees rather than expense the cost of premiums as they are paid. The plan is unfunded. The accrued postretirement benefit obligation was measured and included in accrued payroll and related benefits on the consolidated statements of financial position totaling $1,186 and $994 as of June 30, 2026 and 2025, respectively.

The University is part of a Voluntary Employee Benefit Association (VEBA) in order to help fund the costs of healthcare for employees who have met certain eligibility requirements. The University contributed approximately $78 and $57 to the VEBA plan for the years ended June 2026 and 2025, respectively. Beginning July 1, 2024, the University suspended employer contributions into the plan through June 30, 2027.

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at June 30:

	2026	2025
Scholarships, instruction and other departmental support	$ 4,018	$ 6,116
Gifts restricted for capital acquisitions	2,756	6,129
Student loan funds	1,138	1,147
Endowment funds – accumulated gains	91,380	75,828
Net assets with donor restrictions for time or purpose	99,292	89,220
Endowment funds – original gifts	128,383	114,677
Annuity, life income and similar funds	9,218	7,191
Net assets restricted in perpetuity	137,601	121,868
Total net assets with donor restrictions	$ 236,893	$ 211,088

Net assets without donor restrictions consist of the following at June 30:

	2026	2025
Operations	$ 1,368	$ 2,578
Plant	38,552	34,968
Facility maintenance fund – board designated	14,261	12,657
Endowment funds – board designated	25,752	24,746
Annuity, life income, and similar funds	3,137	3,078
Total net assets without donor restrictions	$ 83,070	$ 78,027

Note 13 – Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors totaled $16,933 and $12,246 during the years ended June 30, 2026 and 2025, respectively. The expenses related to capital expenditures were $5,401 and $36 for 2026 and 2025, respectively, and, scholarships, instruction, and other departmental support totaled $11,532 and $12,210 for 2026 and 2025, respectively.

Note 14 – Endowments

The University's endowment consists of approximately 420 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 219,763	$ 219,763
Board-designated endowment funds	25,752	-	25,752
Total endowment net assets	$ 25,752	$ 219,763	$ 245,515

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

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 190,505	$ 190,505
Board-designated endowment funds	24,746	-	24,746
Total endowment net assets	$ 24,746	$ 190,505	$ 215,251

Interpretation of Relevant Law

The Board of Trustees has interpreted the State of Washington enacted version of 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 fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the University considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

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

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that are 1.50% of the annual spending rate plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban consumers, while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of return of approximately 6% to 9% annually. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original endowment corpus or amounts required to be maintained by donors or by law (or become "underwater"). The Board of Trustees has interpreted the State of Washington enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) to permit spending from underwater endowments in accordance with prudent measures required under law. As of June 30, 2026 and 2025, the University had no endowments with deficiencies.

Change in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2024	$ 24,121	$ 177,998	$ 202,119
Investment returns, net	2,215	17,272	19,487
Change in value of assets held in trust by others	-	1,312	1,312
Contributions	-	3,164	3,164
Transfers and matured deferred gifts	780	481	1,261
Undesignation of board assets	(287)	-	(287)
Appropriation of endowment assets for expenditure	(2,083)	(9,722)	(11,805)
Net assets, June 30, 2025	24,746	190,505	215,251
Investment returns, net	3,773	25,173	28,946
Change in value of assets held in trust by others	-	2,443	2,443
Contributions	702	10,848	11,550
Transfers and matured deferred gifts	78	504	582
Undesignation of board assets	(1,125)	-	(1,125)
Appropriation of endowment assets for expenditure	(2,422)	(9,710)	(12,132)
Net assets, June 30, 2026	$ 25,752	$ 219,763	$ 245,515

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year approximately 4.5% of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. The University's spending policy follows a model that includes the Higher Education Price Index which requires annual adjustments based on changes in the costs of education.

Actual spending in any given year may vary from the calculated appropriation based on factors such as market conditions, student eligibility, as well as spending policies of other organizations controlling outside trusts. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% to 5% annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

For the years ended June 30, 2026 and 2025, the Board of Trustees approved additional appropriations to support strategic enrollment initiatives. Donor-restricted funds used to support these initiatives were available for such use under donor restrictions. Funding for these initiatives was provided from the following sources:

	2026	2025
Board-designated endowment funds	$ 1,348	$ 1,175
Donor-restricted budget-supported endowment funds	3,714	3,616
Total additional appropriations	$ 5,062	$ 4,791

Including these additional appropriations, total endowment spending represented approximately 5.6% and 5.8% of beginning endowment assets for the years ended June 30, 2026, and 2025, respectively.

Note 15 – Concentrations and Contingencies

Credit risk is concentrated principally in contributions receivable and investments. Investments are diversified to limit credit risk. The University had significant outstanding pledges from two donors totaling approximately 24% and 38% as of June 30, 2026 and 2025, respectively. The University had an investment of $54,383 and $49,433 concentrated in one fund as of June 30, 2026 and 2025, respectively.

Additionally, the University's students receive a substantial amount of support from state and federal student financial assistance programs, which are subject to governmental audit and funding uncertainties. Significant reductions, delays, or cancellations of these programs or other governmental funding could adversely affect the University's operations. The University is also subject to routine legal claims and regulatory matters that management does not expect to materially affect the consolidated financial statements.

Note 16 – Related-Party Transactions

The University has been conducting business transactions with Avista Utilities for many years; in April 2011, an officer of Avista Utilities was selected as a member of the Board of Trustees. The University paid approximately $1,746 and $1,792 to Avista Utilities for electricity and natural gas during the years ended June 30, 2026 and 2025, respectively.

Pledges due from members of the Board of Trustees were approximately $2,015 and $1,595 as of June 30, 2026 and 2025, respectively. For the years ended June 30, 2026 and 2025, contributions (new pledges and cash gifts) from members of the Board of Trustees were approximately $9,598 and $3,473, respectively. In the year ended June 30, 2026, approximately 51% of nonoperating contributions and gifts was received from one member of the Board of Trustees.

Note 17 – Expenses by Natural and Functional Classification

The University’s primary service is academic instruction. Expenses included within student services and auxiliaries are incurred in support of the primary service activities. Administration expenses include costs incurred to support the University’s overall operations, including executive and administrative management, financial and business services, human resources, information technology, facilities administration, and other general institutional support functions. Fundraising expenses include costs incurred to cultivate philanthropic support for the University and consist primarily of Institutional Advancement activities and executive leadership functions within the Office of the President.

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

	Academic Instruction, Research and Support	Student Services and Auxiliaries	Administration	Fundraising	Total
Salaries and wages	$ 23,993	$ 10,469	$ 4,211	$ 1,873	$ 40,546
Benefits	6,295	2,266	1,586	720	10,867
Travel, professional development, and cultivation	718	1,529	111	205	2,563
Materials and supplies	977	364	71	11	1,423
Maintenance of facilities and equipment	1,115	1,380	2,121	55	4,671
Utilities, insurance, and taxes	3,040	2,044	942	236	6,262
General services, postage, print shop, board bill	4,785	6,830	2,073	802	14,490
Interest	1,726	1,712	187	14	3,639
Depreciation, amortization, and accretion	2,631	2,621	286	21	5,559
Other expenses	173	100	6	10	289
Total expenses	$ 45,453	$ 29,315	$ 11,594	$ 3,947	$ 90,309

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

	Academic Instruction, Research and Support	Student Services and Auxiliaries	Administration	Fundraising	Total
Salaries and wages	$ 24,148	$ 9,739	$ 4,099	$ 1,849	$ 39,835
Benefits	6,220	2,280	1,314	603	10,417
Travel, professional development, and cultivation	787	1,566	114	439	2,906
Materials and supplies	1,000	275	39	12	1,326
Maintenance of facilities and equipment	1,252	1,088	1,783	62	4,185
Utilities, insurance, and taxes	2,650	2,048	782	211	5,691
General services, postage, print shop, board bill	3,778	7,057	1,094	828	12,757
Interest	1,724	1,907	223	15	3,869
Depreciation, amortization, and accretion	2,529	2,798	328	22	5,677
Other expenses	147	86	1	10	244
Total expenses	$ 44,235	$ 28,844	$ 9,777	$ 4,051	$ 86,907

Note 18 – Consolidating Information

The summarized consolidating statement of financial position is presented below:

	June 30, 2026				
	Whitworth University	Whitworth Costa Rica Limited	Whitworth Foundation	Consolidated Total	June 30, 2025
Assets	$ 405,821	$ 1,000	$ 21,311	$ 428,132	$ 399,894
Liabilities	$ 99,213	$ -	$ 8,956	$ 108,169	$ 110,779
Net Assets:					
Without donor restrictions	78,933	1,000	3,137	83,070	78,027
With donor restrictions	227,675	-	9,218	236,893	211,088
Total net assets	306,608	1,000	12,355	319,963	289,115
Total liabilities and net assets	$ 405,821	$ 1,000	$ 21,311	$ 428,132	$ 399,894

The activities of Whitworth Costa Rica Limited and the Foundation were not material to the consolidated statements of activities for the years ended June 30, 2026 and 2025. The Foundation's activity primarily consists of investment return, changes in value of split-interest agreements, and related planned-giving administration.