GONZAGA UNIVERSITY

FINANCIAL REPORT 2015-16

GONZAGA UNIVERSITY

Table of Contents

Letter from the Vice President for Finance

With the passing of each year, we are blessed to witness the great accomplishments of the students, faculty and staff at Gonzaga University. Fiscal year 2015-16 started with the grand opening of The John J. Hemmingson University Center, just in time to welcome the largest freshman class in Gonzaga's 128 year history. The Hemmingson Center houses a modern two-level board dining area with six restaurant style dining platforms, four retail eateries, conference, meeting, lounge and banquet facilities, and an array of student, staff and faculty functions including student government, mission and ministry, student clubs, the Center for Global Engagement, and the Center for Community Action and Service Learning. The Hemmingson Center adds significant ongoing physical capacity for academic and extra-curricular programming, studying and dining.

In 2016, the Board of Trustees approved a new Strategic Plan for Gonzaga University, anchored by four institutional commitments: foster responsibility for shared mission, animate academic excellence across the institution, provide an integrative Jesuit educational experience for our students, and optimize institutional stewardship and sustainability. Each institutional commitment, in turn, contains strategic objective and supporting goals that serve as declarations of continuous institutional improvement. Unlike past strategic plans, the new Strategic Plan embeds an annual review process to ensure the plan remains informed by new and emerging considerations.

In October 2015, we launched the public phase of the University's next major fundraising campaign, "Gonzaga Will: The Campaign for our Future," with a goal of $250 million. Gonzaga Will focuses on five priorities: scholarship, global engagement, academic innovation, community building, and learning environments. The campaign is off to an impressive start – at launch the campaign had raised $183M, already exceeding the most recent campaign ending in 2005 by $34 million. Campaign initiatives, among many, include the 750 seat Myrtle Woldson Performing Arts Center, a new Jesuit Residence, and the Center for Athletic Achievement – all scheduled for completion in the coming three years.

In March 2016, the University of Washington and Gonzaga University agreed to a collaborative agreement, making Gonzaga a partner in the University of Washington School of Medicine five-state regional, community-based medical education program referred to as WWAMI. Beginning in academic year 2016-17, Gonzaga will provide faculty, student support services, and facilities for the University of Washington School of Medicine – Gonzaga University, hosting approximately 100 first and second year medical students on its Spokane campus.

Beginning in the fall of 2016, the University will introduce a new academic core intended to more fully animate our Catholic, Jesuit and humanistic traditions throughout each of the four years of education.

And of course, with the passing of each academic year, we have the distinct pleasure to support and serve a group of students who undergo faith-filled transformations of character. They develop rich interiors as analytical thinkers, knowledgeable practitioners, and imaginative problem-solvers.

Following is a summary related to the financial performance for the fiscal year ended May 31, 2016.

Consolidated Statement of Financial Position

Assets

Gonzaga's assets, totaling $724.5 million as of May 31, 2016, increased $6.6 million or 0.9% from the prior fiscal year. Total assets are comprised largely from cash and short-term investments, contributions receivable, long-term investments (primarily related to the endowment) and campus facilities.

Cash and cash equivalents and short-term investments totaled $74.9 million as of May 31, 2016, a decrease of $2.2 million or 2.9% from the prior fiscal year. These resources provide essential liquidity to cover operating costs, construct and maintain campus facilities, and satisfy debt service payments. Additionally, the funds support strategic plan initiatives and fund needed contingencies and reserves.

Contributions receivable of $81.7 million represents 11.3% of total assets at May 31, 2016. Contributions receivable includes a $50.4 million receivable from the estate of Myrtle Woldson recognized in the prior fiscal year. The Woldson gift will first fund the building of the Woldson Performing Arts Center, with the remainder of the gift to fund an endowed scholarship program.

Long-term investments and beneficial interests in split interest agreements held by others totaled $230.3 million or 31.8% of Gonzaga's total assets as of May 31, 2016. Long-term investments are substantially comprised of Gonzaga's endowment assets. Gonzaga's diversified endowment investment pool net return was -2.0% for the fiscal year.

Investment return, coupled with new endowment gifts of $5.2 million, and an annual spending distribution of $7.3 million resulted in a decrease in endowed investments of $20.4 million or 9.1% from the prior fiscal year. Over 60% of Gonzaga's endowment is designated for merit and need based scholarships.

The pooled endowment is invested on a total return basis to provide a long-term annual return equal to, or in excess of, the annual spending distribution plus inflation. The strategic target asset allocation of the endowment is domestic equities (27%), international equities (27%), fixed income (21%), alternative investments (15%) and real assets (10%). Gonzaga's pooled endowment achieved annualized returns ranking among the top 10 percent of higher education institutions nationwide for the past three and five-year periods ending June 30, 2015 (the most currently available data)[1]. Gonzaga also achieved annualized net investment returns ranking among the top 22 percent of participating schools for the past 10 years and among the top 21 percent for the past year. The ten-year annualized return was 7.0% as of June 30, 2015, or 70 basis points higher than the NCSE average for all participants.

Property, plant, and equipment, net, totaled $297.0 million as of May 31, 2016, up $5.3 million or 1.8% over the prior fiscal year. The University continues to invest in its physical facilities to support key academic initiatives, housing and infrastructure. During fiscal year 2016, the University completed construction and opened the Hemmingson Center. Additionally, planning and design began for the Woldson Performing Arts Center, a new Jesuit Residence, and the Center for Athletic Achievement. The University incorporates renewal and replacement spending within its annual operating budget in order to maintain a 152 acre main campus of more than 100 buildings.

[1] *Source: NACUBO Commonfund Study of Endowments® (NCSE), 2015*

Liabilities

Gonzaga's liabilities totaled $241.3 million as of May 31, 2016, a decrease of $10.2 million or 4.1% from the prior fiscal year. In addition to shorter-term obligations to vendors and employees, and deferred revenues and refundable advances, the most significant liabilities are notes and bonds payable. Notes and bonds payable are largely used to finance property, plant and equipment. As of May 31, 2016, notes and bonds payable decreased $5.8 million or 3.3% from the prior fiscal year due to scheduled principal payments and no new debt issuance. Of the total notes and bonds payable outstanding as of May 31, 2016 (prior to unamortized net premium, unamortized debt issuance costs and excluding interest rate swaps), 94% of the principal outstanding represents notes and bonds that carry a fixed interest rate. This largely fixed-rate structure provides a higher degree of certainty as to the annual debt service payments given that such rates are not subject to variability. Further, Gonzaga's currently scheduled annual debt service through 2029 remains largely unchanged each year, subject to variability from the 6% of notes and bonds payable with interest that are variable in nature. Selected bonds are rated by Moody's Investor Service and Fitch Ratings, and carry an "A3" (outlook stable) and "A" (outlook stable), respectively.

Net Assets

Gonzaga's net assets were $483.2 million as of May 31, 2016, an increase of $16.8 million or 3.6%. The three primary drivers of annual changes in net assets are 1) the net change from operating activities; 2) investment net return of the endowment after the annual spending distribution, and 3) contributions towards non-operating activities, such as capital and endowment contributions.

Unrestricted nets assets increased $37.2 million to $204.3 million with $6.8 million of this increase resulting from operating activities. The most significant component of non-operating changes in unrestricted nets asset in fiscal year 2016 was the $24.1 million release from restrictions for acquisition of capital assets and the $6.9 million in transfers from temporarily restricted net assets for other designated uses.

Temporarily restricted net assets decreased by $10.6 million to $162.4 million in fiscal year 2016. The decrease was due primarily to net assets released from restriction related to capital assets placed in service and operations totaling $40.1 million and a net realized and unrealized investment loss of $2.8 million, both of which were partially offset by new temporarily restricted contributions for the acquisition of capital assets and operations of $24.5 million, and transfers in of $8.0 million.

Permanently restricted net assets decreased $9.7 million to $116.4 million during fiscal year 2016, driven primarily by $5.2 million in new permanently restricted contributions to the endowment fund, offset by a $15.0 million transfer due to a change in estimate related to the cost to design, construct and furnish the Woldson Performing Arts Center.

Consolidated Statement of Activities

Operations

For the year ended May 31, 2016, total operating activities resulted in a $5.4 million increase in net assets, compared with a $9.1 million increase in the year prior. Gonzaga's operating budget is prepared on a conservative basis with the intent of generating a modest 3.0% to 5.0% margin as a percentage of operating revenues. Such margin provides opportunity to utilize funds for further investment in facilities, programmatic expansion, and other strategic plan initiatives. For the years ended May 31, 2016 and 2015, the operating margin percentages were 2.5% and 4.4%, respectively. The change in net assets from operating activities includes depreciation, the most significant non-cash expense. Excluding depreciation and other non-cash items, Gonzaga generated cash from operating activities of $2.0 million and $14.3 million (which included a one- time customer advance of $10.0 million during fiscal year 2014-15) for the years ended May 31, 2016 and 2015, respectively.

For the year ended May 31, 2016, operating revenues increased $10.7 million or 5.2% from the prior year. The most significant component of operating revenues is student tuition and fees, net of institutional financial aid, which increased $8.6 million or 6.0%. The change is driven by an increase in undergraduate tuition of $6.6 million stemming from a 4.0% rate increase, an increase in undergraduate enrollment of 190 students and higher retention rates, partially offset by a slightly higher tuition discount rate. In addition to tuition and fees, the total of all other operating revenue categories increased over the prior fiscal year by $2.1 million or 3.4% due primarily to increased contributions of $2.1 million and auxiliary service revenue driven primarily by higher enrollment of $3.5 million, partially offset by a decrease in other sources of $3.1 million. Approximately 98% of full-time undergraduate students receive some form of merit or need-based institutional financial aid. While operating revenues come largely from student tuition and fees, endowment distributions and contributions are important revenue diversifiers that help offset the cost of a Gonzaga education for all students, particularly to support institutional financial aid.

For the year ended May 31, 2016, total operating expenses increased $14.4 million or 7.4% from the prior year. Instructional expenses is the largest category and comprises 39% of operating expenses, with an increase of 2.5% from the prior fiscal year due primarily to increases in faculty compensation and benefit costs. Auxiliary services and student services experienced notable increases of 19.8% and 14.1%, respectively, driven largely by higher enrollment including the largest freshman class in Gonzaga's history. Gonzaga, like all colleges and universities, incurs significant costs in the form of salaries and benefits, representing 59.0% of total operating costs with an increase of 2.8% from the prior fiscal year. The change is driven by an increase in employee headcount, annual compensation increases, and changes in employee benefit costs. Employee compensation is the largest driver of the 8.6% increase in general administrative and institutional expenses.

Nonoperating Activities

In addition to operations, Gonzaga reports other changes in net assets from those activities that are not directly attributable to the annual operations. Most notably, contributions for the acquisition of capital assets and for endowments together were $22.1 million for the year ended May 31, 2016. The net loss on investment activity beyond the amount used for the annual spending distribution was $10.5 million or -2.0%, a significant decrease from $4.3 million or 6.5% of net investment returns in the prior fiscal year.

Closing Remarks

As we close the 2015-16 fiscal year, the University is poised to continue as an exemplary learning community that educates students for lives of leadership and service for the common good. With the expected second largest freshman class entering the University for the 2016-17 academic year, a new strategic plan, and the launch of our new core curriculum, Gonzaga will continue its deep tradition to intentionally develop the whole person -- intellectually, spiritually, physically and emotionally. Filled with faith, purpose and confidence that Gonzaga University will continue to thrive and flourish, we remain forever grateful to all those, past and present, whose belief in the philosophy of the Society of Jesus allows our community to fulfill the mission.

Charles J. Murphy
Vice President for Finance
August 2016

Selected Data *(Dollars in thousands)*

The following data reflects selected financial and non-financial data for the past five fiscal years. Amounts are derived from the audited consolidated financial statements from prior periods and other official university sources.

As of May 31	2016	2015*	2014*	2013*	2012*
Consolidated Statement of Financial Position Data					
Cash, cash equivalents, and short-term investments	$ 74,919	$ 77,119	$ 57,818	$ 74,794	$ 56,813
Contributions receivable, net	81,665	78,719	25,381	23,061	9,540
Long-term investments (1)	230,321	231,621	217,267	180,823	154,524
Property, plant, and equipment, net	296,957	291,696	249,891	228,894	218,114
Total assets	724,478	717,879	633,433	547,713	480,091
Notes and bonds payable	170,250	176,097	181,829	133,391	130,102
Total liabilities	241,287	251,512	250,588	203,463	192,125
Unrestricted net assets	204,334	167,172	165,982	149,547	132,479
Temporarily restricted net assets	162,444	173,038	121,536	107,441	73,333
Permanently restricted net assets	116,413	126,157	95,327	87,262	82,154
Total net assets	$ 483,191	$ 466,367	$ 382,845	$ 344,250	$ 287,966

For the year ended May 31	2016	2015	2014	2013*	2012*
Consolidated Statement of Activities and Other Data					
Student tuition and fees, net of institutional financial aid	$ 151,410	$ 142,770	$ 138,903	$ 135,707	$ 134,351
Total operating revenues (2)	214,689	203,956	193,096	189,586	185,767
Total operating expenses (2)	209,289	194,883	184,152	176,591	175,868
Increase in net assets from operations (2)	5,400	9,073	8,944	12,995	9,899
Increase (decrease) in net assets from nonoperating activities (3)	11,424	74,449	29,651	43,289	(6,066)
Increase in total net assets	16,824	83,522	38,595	56,284	3,833
Pooled investment fund return	-2.0%	6.5%	15.6%	18.1%	-3.1%

Measured in the fall of the applicable fiscal year	2016	2015	2014	2013	2012
Other Data					
Enrollment by Headcount					
Undergraduate	5,041	4,837	4,896	4,906	4,865
Graduate	2,111	2,178	2,322	2,417	2,392
Law	339	339	387	460	507
Total enrollment	7,491	7,354	7,605	7,783	7,764
Employees (4)					
Faculty	435	436	434	428	421
Staff and administration	815	811	780	761	737
Total employees	1,250	1,247	1,214	1,189	1,158

* Certain reclassifications were made to prior periods to conform with the May 31, 2016 consolidated financial statement presentation.
(1) Includes beneficial interest in split interest agreements held by others.
(2) Refer to note 2 in the notes accompanying the consolidated financial statements for the definition of operating activities. Amounts reported are for all net asset classifications.
(3) Refer to note 2 in the notes accompanying the consolidated financial statements for the definition of non-operating activities. Amounts reported are for all net asset classifications.
(4) Employee figures include part-time faculty and staff and exclude part-time student employees.

MOSS ADAMS LLP
Certified Public Accountants | Business Consultants

REPORT OF INDEPENDENT AUDITORS

President and Board of Trustees
Gonzaga University

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Gonzaga University (a Washington nonprofit corporation), which comprise the consolidated statements of financial position as of May 31, 2016 and 2015, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated statements of financial position of Gonzaga University as of May 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

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

Other Information

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

Moss Adams LLP

Spokane, Washington
August 25, 2016

Consolidated Statements of Financial Position *(Dollars in thousands)*

Assets

	May 31	
	2016	2015
Cash and cash equivalents	$ 17,086	$ 37,538
Short-term investments	57,833	39,581
Accounts and interest receivable, net	8,397	7,994
Prepaid expenses	3,485	1,994
Contributions receivable, net	81,665	78,719
Student loans receivable, net	15,923	15,373
Deposits with bond trustees	12,811	13,363
Long-term investments	222,766	224,097
Beneficial interest in split interest agreements held by others	7,555	7,524
Property, plant, and equipment, net	296,957	291,696
Total assets	$ 724,478	$ 717,879

Liabilities And Net Assets

	2016	2015
LIABILITIES		
Accounts and other payables	$ 8,599	$ 11,793
Accrued salaries, taxes, and benefits	17,363	16,571
Interest payable	1,551	1,608
Deferred revenues and refundable advances	20,075	21,274
Split-interest agreement obligations	5,376	5,762
Federal student loan program	10,864	10,953
Obligation under interest rate swaps	7,209	7,454
Notes and bonds payable	170,250	176,097
Total liabilities	241,287	251,512
NET ASSETS		
Unrestricted	204,334	167,172
Temporarily restricted	162,444	173,038
Permanently restricted	116,413	126,157
Total net assets	483,191	466,367
Total liabilities and net assets	$ 724,478	$ 717,879

See accompanying notes.

Consolidated Statements of Activities *(Dollars in thousands)*

	Year Ended May 31, 2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Year Ended May 31, 2015 Total
Operating Revenues					
Student tuition and fees, net	$ 240,924	$ -	$ -	$ 240,924	$ 223,123
Less institutional financial aid	(89,514)	-	-	(89,514)	(80,353)
	151,410	-	-	151,410	142,770
Contributions	4,047	7,461	-	11,508	9,369
Grants and contracts	2,059	-	-	2,059	2,234
Return on investments designated for operations	660	7,155	-	7,815	8,066
Auxiliary enterprises	30,261	-	-	30,261	26,810
Other sources	11,585	51	-	11,636	14,707
	200,022	14,667	-	214,689	203,956
Net assets released from restrictions	16,049	(16,049)	-	-	-
Total operating revenues	216,071	(1,382)	-	214,689	203,956
Operating Expenses					
Instruction	81,540	-	-	81,540	79,504
Libraries	5,443	-	-	5,443	5,710
Student services	19,729	-	-	19,729	17,290
Organized activities	22,845	-	-	22,845	21,542
General administrative and institutional	39,560	-	-	39,560	36,432
Operation and maintenance of plant	11,743	-	-	11,743	10,676
Auxiliary enterprises	28,429	-	-	28,429	23,729
Total operating expenses	209,289	-	-	209,289	194,883
Increase in net assets from operations	6,782	(1,382)	-	5,400	9,073
Nonoperating Activities					
Contributions for acquisition of capital assets, net	-	16,956	-	16,956	41,670
Contributions to endowment funds, net	-	-	5,153	5,153	28,874
Loss on disposal of equipment	(15)	-	-	(15)	(226)
Return on investments, net of amounts designated for operations	(894)	(9,934)	315	(10,513)	4,255
Change in value of interest rate swaps	244	-	-	244	(580)
Change in value of split interest agreements	-	(149)	(252)	(401)	456
Net assets released from restrictions for acquisition of capital assets	24,098	(24,098)	-	-	-
Transfers	6,947	8,013	(14,960)	-	-
Total nonoperating activities	30,380	(9,212)	(9,744)	11,424	74,449
Increase (decrease) in net assets	37,162	(10,594)	(9,744)	16,824	83,522
Net assets at beginning of year	167,172	173,038	126,157	466,367	382,845
Net assets at end of year	$ 204,334	$ 162,444	$ 116,413	$ 483,191	$ 466,367

See accompanying notes.

Consolidated Statements of Activities *(Dollars in thousands)*

	Year Ended May 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenues				
Student tuition and fees, net	$ 223,123	$ -	$ -	$ 223,123
Less institutional financial aid	(80,353)	-	-	(80,353)
	142,770	-	-	142,770
Contributions	2,618	6,751	-	9,369
Grants and contracts	2,234	-	-	2,234
Return on investments designated for operations	1,218	6,848	-	8,066
Auxiliary enterprises	26,810	-	-	26,810
Other sources	14,657	50	-	14,707
	190,307	13,649	-	203,956
Net assets released from restrictions	10,549	(10,549)	-	-
Total operating revenues	200,856	3,100	-	203,956
Operating Expenses				
Instruction	79,504	-	-	79,504
Libraries	5,710	-	-	5,710
Student services	17,290	-	-	17,290
Organized activities	21,542	-	-	21,542
General administrative and institutional	36,432	-	-	36,432
Operation and maintenance of plant	10,676	-	-	10,676
Auxiliary enterprises	23,729	-	-	23,729
Total operating expenses	194,883	-	-	194,883
Increase in net assets from operations	5,973	3,100	-	9,073
Nonoperating Activities				
Contributions for acquisition of capital assets, net	-	41,670	-	41,670
Contributions to endowment funds, net	-	-	28,874	28,874
Loss on disposal of equipment	(226)	-	-	(226)
Return on investments, net of amounts designated for operations	318	3,754	183	4,255
Change in value of interest rate swaps	(580)	-	-	(580)
Change in value of split interest agreements	-	182	274	456
Net assets released from restrictions for acquisition of capital assets	611	(611)	-	-
Transfers	(4,906)	3,407	1,499	-
Total nonoperating activities	(4,783)	48,402	30,830	74,449
Increase in net assets	1,190	51,502	30,830	83,522
Net assets at beginning of year	165,982	121,536	95,327	382,845
Net assets at end of year	$ 167,172	$ 173,038	$ 126,157	$ 466,367

See accompanying notes.

Consolidated Statements Of Cash Flows *(Dollars in thousands)*

	Years Ended May 31,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2016**	**2015**
Increase in net assets	$ 16,824	$ 83,522
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization	10,966	9,268
Provision for uncollectible receivables	959	528
Loss on disposal of fixed assets	15	226
Contributions restricted for long-term purposes	(22,109)	(70,544)
Interest and dividends restricted for long-term investment	(3,457)	(3,896)
Net realized and unrealized loss (gain) on investments	7,685	(7,106)
Change in value of interest rate swaps	(244)	580
Change in value of split interest agreements	401	(456)
Other change in assets and liabilities, net	(9,022)	2,189
Net cash from operating activities	2,018	14,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant, and equipment	(12,864)	(45,615)
Proceeds from sale of property and equipment	83	29
Proceeds from sale of investments	47,747	59,660
Purchase of investments	(66,057)	(82,172)
Issuance of student loans receivable	(3,035)	(2,451)
Repayment of student loans receivable	2,304	2,379
Reimbursements from deposits held with bond trustees	-	41,949
Net cash used by investing activities	(31,822)	(26,221)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term purposes	12,098	17,492
Proceeds from contributions for split interest agreements	275	112
Payments on notes and bonds	(6,155)	(5,942)
Payments on split-interest agreements	(234)	(359)
Interest and dividends restricted for long-term investment	3,457	3,896
Net change in student loan liability	(89)	(34)
Net cash from financing activities	9,352	15,165
NET CHANGE IN CASH AND CASH EQUIVALENTS	(20,452)	3,255
CASH AND CASH EQUIVALENTS, beginning of year	37,538	34,283
CASH AND CASH EQUIVALENTS, end of year	$ 17,086	$ 37,538
SUPPLEMENTAL DISCLOSURES		
Interest paid (includes capitalized interest of $553 and $1,957 for 2016 and 2015, respectively)	$ 9,763	$ 8,514
Noncash acquisition of property, plant, and equipment	3,087	5,127
Noncash gifts of investments and property, plant, and equipment	6,779	426

See accompanying notes.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 1 – Organization

Gonzaga University is an independent, accredited coeducational higher education institution founded in 1887 by the Society of Jesus. The Corporation of Gonzaga University (Corporation) was incorporated in the state of Washington in 1894 as a tax-exempt charitable organization located in Spokane, Washington. The consolidated financial statements include the accounts of the Corporation, the Gonzaga Law School Foundation (Foundation), and Immobiliare Gonzaga Srl. (collectively, the University). The purpose of the Foundation is to provide financial support to the University's Law School. Immobiliare Gonzaga Srl. is an Italian corporation formed to purchase and remodel a classroom/administration building used in the University's Florence, Italy, program.

The primary source of revenue is tuition from undergraduate, graduate, and law programs through the college of Arts & Sciences, and schools of Business, Engineering & Applied Science, Education, Nursing & Human Physiology, Professional Studies, and Law. Other sources of revenue include room, board, dining, contributions, return on investments, fees, athletic tickets, and sponsorships.

Note 2 – Summary of Significant Accounting Policies

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

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

Unrestricted net assets – Net assets are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board. All revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets are considered unrestricted.

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

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

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

	For the Year ended May 31, 2016				
	Corporation	Foundation	Immobiliare Gonzaga Srl.	Inter-entity Elimination	Consolidated Total
Assets	$ 723,467	$ 20,069	$ 5,098	$ (24,156)	$ 724,478
Liabilities	$ 260,934	$ 5	$ 4,504	$ (24,156)	$ 241,287
Net Assets					
Unrestricted	203,740	2,372	594	(2,372)	204,334
Temporarily restricted	151,578	8,494	-	2,372	162,444
Permanently restricted	107,215	9,198	-	-	116,413
Total net assets	462,533	20,064	594	-	483,191
Total liabilities and net assets	$ 723,467	$ 20,069	$ 5,098	$ (24,156)	$ 724,478

Note 2 – Summary of Significant Accounting Policies (continued)

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

Included in cash and cash equivalents are assets restricted for investment in property, plant, and equipment of $11,765 and $9,974 as of May 31, 2016 and 2015, respectively.

Deposits with Bond Trustees – Amounts consist of bond funds held in investments as permitted under the Washington Higher Education Facilities Authority (Authority or WHEFA) documents. The funds are restricted to the purpose designated in the bond documents. These investment securities are exposed to various interest rate, market, and credit risks, and changes in risks could possibly materially affect the consolidated financial statements.

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

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

The University's investments are recorded in the consolidated financial statements at fair value. Return on investments, including unrealized and realized gains or losses, as well as all dividends, interest, and other investment income, is shown in the consolidated statements of activities. Return on investments is reported as an increase in unrestricted, temporarily restricted, or permanently restricted net assets, depending on donor-imposed restrictions. Investments contributed to the University are recorded at the fair value at the date of contribution.

Investments are exposed to various risks, such as interest rate, market, foreign currency, credit, and regulatory risk. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect total net assets and the amounts reported in the consolidated statements of financial position.

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

Split-interest agreements – The University has legal title, as trustee, to irrevocable charitable remainder trusts and also receives contributions in connection with charitable gift annuity contracts. Actuarial methods are used to record these annuities and trusts using discount rates ranging from 4% to 6%. When a gift is received, the present value of future expected payments to the beneficiaries is recorded as a liability based upon life expectancy tables and discount rate assumptions and the remainder is recorded as a contribution. Annuity and trust assets are reported at fair value and included within long-term investments on the consolidated statements of financial position. Investment returns, beneficiary payments, and direct costs of funds management are charged to the liability accounts, with periodic adjustments made between the liability and the net assets to record actuarial gains or losses resulting from changes in fair value and life expectancy.

The University maintains separate funds adequate to meet future payments under its charitable gift annuity contracts as required by state laws. The total investments held in separate funds were $3,220 and $3,474 as of May 31, 2016 and 2015, respectively. The corresponding amount included in split-interest agreement obligations to meet future payments under gift annuity contracts was $1,570 and $1,571 as of May 31, 2016 and 2015, respectively.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (continued)

Accounts and contributions receivable, net – Accounts receivable from students included in accounts and interest receivable, net, in the consolidated statements of financial position are reported net of an allowance for doubtful accounts. Accounts receivable are written off only when they are deemed to be permanently uncollectible.

Contributions, including unconditional promises to give, are recognized as revenue when the donor's commitment is made. Unconditional promises are recognized at the estimated present value of the future cash flows using discount rates, net of allowances for doubtful accounts. The discounts are determined using a rate that is commensurate with the risks involved and applicable to the years that the promises are received. Based upon historical pledge payments and current information, an allowance for doubtful accounts is determined. Account balances are charged off against the allowance when collection is considered remote. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted revenue.

Student loans receivable, net – Student loans receivable primarily consist of amounts due from students under the University's repayable financial aid programs and are stated net of allowance for doubtful accounts. The notes receivable bear interest ranging from 5% to 6% and are generally repayable to the University over a period not to exceed 10 years.

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

Building and improvements	25 - 50 years
Equipment and furniture	3 - 5 years
Library books	10 years

Revenue recognition – Student tuition, fees, room, and board dining are recognized in the period that the services are provided. Grant revenue is recognized when the services are provided for performance grants or when the funds are expended for cost-reimbursement grants. Interest income on student loans is recognized when charged.

Advertising – Costs expensed for the years ended May 31, 2016 and 2015, were $4,353 and $3,834, respectively.

Fund-raising expenses – Costs related to fund-raising are expensed as incurred and for the years ended May 31, 2016 and 2015, were $4,551 and $4,554, respectively.

Derivative financial instruments – GAAP establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. All derivatives, whether designated in hedging relationships or not, are reflected on the consolidated statements of financial position at estimated fair value.

Income taxes – The Internal Revenue Service (IRS) has recognized the Corporation and Foundation as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code, except to the extent of unrelated business income under Sections 511 through 515. Unrelated business income tax, if any, is immaterial. As of May 31, 2016 and 2015, the University had no uncertain tax positions requiring accrual. The University may be subject to routine audit by the IRS; however, there are currently no audits for any tax periods in progress.

Operating and nonoperating activities – The University's measure of operating activities, presented in the consolidated statements of activities, includes all transactions that are incurred in the course of the normal business operations of the University. Operating expenses are reported by functional categories, after allocating costs for interest on long-term indebtedness and depreciation. Nonoperating activities presented in the consolidated statements of activities include transactions that result from something other than the on-going day-to-day activity of the University.

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

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

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 2 – Summary of Significant Accounting Policies (continued)

Recently adopted accounting standards – In March 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2015-03, Simplifying the Presentation of Debt Issuance Costs. This update changes the presentation of debt issuance costs in the financial statements. Under the ASU, an entity presents such costs in the balance sheet as a direct deduction from the recognized liability rather than as an asset. Amortization of the costs is reported as interest expense. The University adopted this standard effective May 31, 2016. As a result of the adoption of the ASU, the University reclassified debt issuance costs on the consolidated statements of financial position and included these costs in the Bonds and Notes Payable disclosure (Note 10).

In May 2015, FASB issued ASU 2015-07, Fair Value Measurement (Topic 820) – Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent), which eliminated the requirement to categorize investments in the fair value hierarchy, if their fair value is measured at net asset value (NAV) per share, or its equivalent, using the practical expedient in the FASB's fair value measurement guidance. The University adopted this ASU effective May 31, 2016. As a result of the adoption of this ASU, the University modified its fair value hierarchy disclosures (Note 15).

Reclassifications – Certain reclassifications were made to the 2015 consolidated financial statements to conform to the 2016 presentation. The reclassifications have no effect on the change in net assets as previously reported.

Subsequent events – The University has evaluated subsequent events through August 25, 2016, which is the date the consolidated financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 3 – Accounts and Interest Receivable, Net

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

	2016	2015
Government grants and loan funds	$ 5,648	$ 5,709
Student receivables	1,436	1,121
Miscellaneous receivables	1,150	992
Accrued interest receivable	263	272
	8,497	8,094
Less allowance for doubtful accounts	(100)	(100)
	$8,397	$7,994

Note 4 – Contributions Receivable, Net

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

	2016	2015
In one year or less	$ 58,285	$ 58,257
Between one year and five years	18,240	14,811
More than five years	17,722	16,818
Less present value discounts	(11,265)	(10,390)
Less allowance for doubtful accounts	82,982	79,496
	(1,317)	(777)
	$ 81,665	$ 78,719

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

	2016	2015
Unrestricted	$ 3	$ 23
Temporarily restricted for financial aid and other	3,717	4,249
Temporarily restricted for property, plant, and equipment	64,093	44,385
Endowment for financial aid and endowed chairs	13,852	30,062
	$ 81,665	$ 78,719

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 5 – Student Loans Receivable, Net

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

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

	2016	2015
Federal government programs	$ 14,626	$ 14,262
Institutional programs	1,616	1,425
	16,242	15,687
Less allowance for doubtful accounts	(319)	(314)
Student loans receivable, net	$ 15,923	$ 15,373

The University participates in the Perkins and Nursing federal revolving loan programs. The availability of funds for new loans under the programs is dependent on reimbursements to the programs from repayments on outstanding loans. Funds advanced by the federal government are ultimately refundable to the government. Outstanding loans cancelled under the programs result in a reduction of the funds available for new loans and a decrease in the liability to the government. The net liability due to the government was $10,864 and $10,953 at May 31, 2016 and 2015, respectively.

At May 31, 2016 and 2015, the following amounts were past due under all student loan programs:

May 31,	1-59 Days Past Due	60-89 Days Past Due	90-119 Days Past Due	120-179 Days Past Due	180-729 Days Past Due	730+ Days Past Due	Total Past Due
2016	$ 128	$ 9	$ 1	$ 18	$ 444	$ 689	$ 1,289
2015	637	236	35	52	405	573	1,938

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

Note 6 – Investments

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

	2016	2015
Fixed income securities	$ 57,833	$ 39,581

Short-term investments are comprised of operating funds, managed as a laddered portfolio and mutual fund investments, with the objectives of preserving principal, maintaining an appropriate degree of liquidity, and generating an appropriate risk-adjusted return. The remaining weighted-average maturity of the nonmutual fund short-term investment portfolio was 1.20 years as of May 31, 2016.

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

	2016	2015
Cash and cash equivalents	$ 3,051	$ 1,679
Equity securities	95,785	97,394
Fixed income securities	33,474	41,410
Alternatives (see below)	73,237	70,945
Split-interest agreements	10,307	11,246
Other	6,912	1,423
	$222,766	$224,097

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 6 – Investments (continued)

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

	2016	2015
Managed diversified global multi-asset fund	$ 38,585	$ 37,367
Private credit funds	10,941	8,126
Hedge and other funds	10,504	7,661
Real estate funds	8,433	10,480
Diversified fund of funds	4,774	7,311
	$ 73,237	$ 70,945

Long-term investments are largely comprised of donor-restricted and board-designated funds, and also include excess unrestricted operating funds. Long-term investments are managed within various investment portfolios. See Note 7 for return objectives and risk parameters for such funds.

For the years ended May 31 the University's total return on investments and cash and cash equivalents includes:

	2016	2015
Net unrealized and realized gain (loss) on investments held at market	$ (7,685)	$ 7,106
Interest income and dividends	4,987	5,215
Total return on investments and cash and cash equivalents	$ (2,698)	$ 12,321
Amounts withdrawn under spending policy	$ 7,347	$ 6,643

Note 7 – Endowment

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. 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.

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

	As of May 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (290)	$ 55,256	$ 116,413	$ 171,379
Board-designated funds*	20,454	12,127	-	32,581
	$ 20,164	$ 67,383	$ 116,413	$ 203,960

	As of May 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (200)	$ 63,961	$ 126,157	$ 189,918
Board-designated funds*	14,548	19,848	-	34,396
	$ 14,348	$ 83,809	$ 126,157	$ 224,314

**Amounts shown as temporarily restricted Board-designated funds have a donor-restriction as to purpose but were not donor-endowed.*

Note 7 – Endowment (continued)

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

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

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

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

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

a) 70% based upon the HEPI for the Pacific Region applied to the prior year endowment spending amount.

b) 30% based upon a rate of 4% to 5% of a three-year rolling average of the fund's total market value, measured quarterly.

Absent donor stipulations to the contrary, the University will not appropriate for expenditure from a permanent endowment fund if such expenditure will result in the fair value of the fund falling below the permanently restricted value of the fund, measured as of May 31 of the fiscal year of appropriation.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 7 – Endowment (continued)

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration. Deficiencies of this nature reported in unrestricted net assets were $290 and $200 as of May 31, 2016 and 2015, respectively.

Changes in endowment net assets are summarized as follows:

	For the Year Ended May 31, 2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 14,348	$ 83,809	$ 126,157	$ 224,314
Investment return				
Investment income	251	3,187	19	3,457
Net realized and unrealized gain (loss)	(581)	(6,338)	44	(6,875)
Total investment return	(330)	(3,151)	63	(3,418)
Contributions	-	-	5,153	5,153
Amount distributed for operating activities	(567)	(6,780)	-	(7,347)
Transfers	6,713	(6,495)	(14,960) [1]	(14,742)
Net assets, end of year	$ 20,164	$ 67,383	$ 116,413	$ 203,960

[1]Transfer from the permanently restricted endowment net assets of $15,000 represents a change in estimate of the cost to design, construct, and furnish a performing arts center based on the donor's designation. The balance of the original gift is to remain in endowment.

	For the Year Ended May 31, 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net assets, beginning of year	$ 15,973	$ 79,346	$ 95,327	$ 190,646
Investment return				
Investment income	297	3,580	19	3,896
Net realized and unrealized gain	553	6,237	438	7,228
Total investment return	850	9,817	457	11,124
Contributions	-	-	28,874	28,874
Amount distributed for operating activities	(531)	(6,112)	-	(6,643)
Transfers	(1,944)	758	1,499	313
Net assets, end of year	$ 14,348	$ 83,809	$ 126,157	$ 224,314

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 8 – Property, Plant, and Equipment, Net

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

	2016	2015
Land	$ 8,072	$ 8,024
Buildings and improvements	353,858	292,878
Equipment and furniture	33,448	21,835
Artwork	3,911	3,614
Library books	5,273	5,172
Construction in progress	6,675	66,101
	411,237	397,624
Less accumulated depreciation	(114,280)	(105,928)
	$ 296,957	$ 291,696

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

Project	Cost to Date May 31, 2015	Current Year Additions	Placed into Service	Cost to Date May 31, 2016
The John J. Hemmingson University Center	$ 60,744	$ 3,241	$ (63,985)	$ -
Network Replacement	3,667	690	(4,357)	-
Foley Renovations	289	1,438	-	1,727
Myrtle Woldson Performing Arts Center	15	1,159	-	1,174
Jesuit Residence	-	1,159	-	1,159
All other projects	1,386	6,411	(5,182)	2,615
Total	$ 66,101	$ 14,098	$ (73,524)	$ 6,675

Project	Cost to Date May 31, 2014	Current Year Additions	Placed into Service	Cost to Date May 31, 2015
The John J. Hemmingson University Center	$ 17,376	$ 43,368	$ -	$ 60,744
Network Replacement	-	3,667	-	3,667
Foley Renovations	-	289	-	289
Myrtle Woldson Performing Arts Center	-	15	-	15
All other projects	1,747	1,170	(1,531)	1,386
Total	$ 19,123	$ 48,509	$ (1,531)	$ 66,101

Note 9 – Deferred Revenues and Refundable Advances

Deferred revenues and refundable advances consisted of the following as of May 31:

	2016	2015
Deferred revenues	$ 10,614	$ 10,897
Refundable advances	9,461	10,377
	$ 20,075	$ 21,274

Deferred revenues include amounts received for tuition, fees, certain auxiliary activities, grants, and contracts that have not yet been earned, as well as student deposits.

Refundable advances consists of vendor incentive payments that will be recognized as a reduction of operating expenses during the term of the agreement that expires in 2029.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 10 – Bonds and Notes Payable

Notes and bonds payable consisted of the following as of May 31:

	2016	2015
Tax Exempt Bonds issued through the Authority		
Series 2013 A	$ 33,000	$ 33,000
Series 2012 A	7,305	7,305
Series 2010 A	23,815	27,170
Series 2009 B	49,365	50,705
Series 2009 A	33,445	34,495
Taxable Bonds issued through the Authority		
Series 2013 B	20,000	20,000
Convertible Rate Bonds issued through the Authority		
Series 2012 B	2,750	2,940
Other notes	985	958
	170,665	176,573
Unamortized net premium	1,572	1,715
Unamortized debt issuance costs	(1,987)	(2,191)
	$ 170,250	$ 176,097

The Series 2013 A bonds have an original issuance of $33,000 and were issued in conjunction with the Series 2013 B bonds. The interest rate is fixed at 5.25%. Principal payments begin in 2041 with final maturity in 2043, and the bonds are callable at par in 2023.

The Series 2012 A bonds have an original issuance of $7,305 and were issued in conjunction with the Series 2012 B bonds as a private placement with a national bank. Interest is variable and calculated monthly based on 70% of one-month LIBOR plus 92 basis points, with an effective interest rate of 1.227% and 1.046% as of May 31, 2016 and 2015, respectively. Repayment is based on a 30 year amortization, and the private placement matures in 2022 with a bank option to extend. The bonds are pre-payable without penalty.

The Series 2010 A bonds have an original issuance of $42,420. The interest rates are fixed, and range from 2.50% to 5.00% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

The Series 2009 B bonds have an original issuance of $53,460. The interest rates are fixed, and range from 3.00% to 5.00% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

The Series 2009 A bonds have an original issuance of $39,845. The interest rates are fixed, and range from 4.00% to 6.25% based on the underlying bond maturities. The final maturity is in 2029, and the bonds are callable at par in 2019.

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

The Series 2012 B bonds have an original issuance of $3,320, and were issued in conjunction with the Series 2012 A bonds as a private placement with a national bank. The Series 2012 B bonds were tax exempt at issuance and as of May 31, 2016 and 2015, and may be converted to taxable at the discretion of the University. Tax exempt interest is variable and calculated monthly based on 70% of one-month LIBOR plus 92 basis points, with an effective interest rate of 1.227% and 1.046% as of May 31, 2016 and 2015, respectively. Upon rate conversion, taxable interest will be variable and calculated monthly based on one-month LIBOR plus 120 basis points. Repayment is based on a 16-year amortization, and the private placement matures in 2022 with a bank option to extend. The bonds are pre-payable without penalty.

Other notes are due in various installments through 2093. Interest rates range from 5.00% to 7.75%.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 10 – Bonds and Notes Payable (continued)

The Tax Exempt Bonds, Taxable Bonds, and Convertible Rate Bonds (together, the WHEFA bonds) are secured on a parity basis by a pledge of, and lien on, all unrestricted current fund revenues, as defined in the loan agreement, and the University's interest in certain funds and reserves held by the Bond Trustee.

In relation to the WHEFA bonds, the University has agreed to certain covenants, including covenants to maintain its accredited status, limit its ability to incur additional indebtedness, limit encumbrances on parts of its campus, and maintain certain financial ratios as defined in the related agreements.

The Series 2009 A, Series 2009 B, and Series 2010 A bonds require a debt service reserve fund, which is funded and included in the University's deposit with the bond trustee. Deposits with bond trustees at May 31 consist of the following:

	2016	2015
Debt service reserve funds	$ 12,761	$ 12,889
Interest costs and debt service funds	50	474
	$ 12,811	$ 13,363

Amounts remitted directly out of deposits with bond trustee accounts for interest payments associated with the Series 2013 B bonds were $653 and $1,732 for the years ended May 31 2016 and 2015, respectively.

Scheduled principal payments on notes and bonds payable are as follows:

Years ending May 31,	Principal
2017	$ 6,426
2018	6,709
2019	6,959
2020	7,145
2021	7,500
Thereafter	135,926
	170,665
Unamortized net premium	1,572
Unamortized debt issuance costs	(1,987)
	$ 170,250

The University has committed lines of credit, each with separate banks. There were no outstanding advances against the line of credit as of May 31, 2016 and 2015. The lines of credit consist of the following:

Line of Credit	Rate	Term	Security	Available Credit
Revolving operating	One-month LIBOR plus 1.00%	3/1/2017	Parity lien on unrestricted gross revenue	$ 10,000
Revolving capital	One-month LIBOR plus 1.50%	12/18/2016	Parity lien on unrestricted gross revenue and certain deposit and security accounts	5,000
Revolving capital	One-month LIBOR plus 2.00%	12/20/2016	Unsecured	5,000

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 11 – Derivative Instruments and Hedging Activities

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.

In connection with previously refunded WHEFA bonds, the University entered into the following interest rate swap agreements (swaps):

Notional Amount	Effective Date	Maturity Date	University Pays	University Receives
$ 30,750	10/1/2014	4/1/2034	4.1195%	67% of one-month LIBOR if 3.50% or greater or 77% of one-month LIBOR if less than 3.50%
4,825	10/1/2012	4/1/2022	4.1680%	70% of one-month LIBOR

In prior years, the University used variable-rate debt to finance the construction and acquisition of property, plant, and equipment. The University entered into swaps in order to obtain a synthetic fixed rate and to hedge the risk of changes in interest payments on the bonds caused by changes in the market rates. The swaps are secured on a parity basis with the WHEFA bonds. The above swaps can be terminated by the University at market rates at any time during the term of the respective swap.

The swap transactions involve both credit and market risk. The notional amounts do not represent direct credit exposure. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid. If the University's bond rating falls below BBB+ by S&P or Baa1 by Moody's Investor Service (Moody's), the swap counterparty can require the University to post collateral equal to the liability for the University's obligation under the swaps. The current credit rating on selected bonds payable, as provided by Moody's, is A3 with a stable outlook.

The swaps were issued at market terms so they had no fair value at inception. The carrying amount of the swaps has been adjusted to the fair value at the end of the fiscal year. The obligation under interest rate swaps was $7,209 and $7,454 as of May 31, 2016 and 2015, respectively.

Net realized losses associated with the swaps were $1,491 and $1,201 for the years ended May 31, 2016 and 2015, respectively, and characterized as interest expense (natural classification) and allocated among operating expenses on the accompanying consolidated statement of activities. The unrealized changes in value associated with the swaps were $244 and ($580) for the years ended May 31, 2016 and 2015, respectively.

Note 12 – Retirement Plans

Retirement benefits are provided to all employees (excluding students) working a minimum of 1,000 hours per year under a 403(b) defined contribution plan (Plan). Beginning the first day of the month following one year of service, eligible employees are required to contribute 5% of their salary and the University contributes 8.5%. All contributions vest immediately and are subject to annual IRS limitations. Investment choices are offered through two providers: TIAA-CREF and Fidelity Investments. The University's expense for the Plan was $6,566 and $6,280 for the years ended May 31, 2016 and 2015, respectively.

Voluntary employee contributions and accumulated earnings to the 457(b) plan of $2,376 and $2,182 as of May 31, 2016 and 2015, respectively, are included in long-term investments and accrued benefits payable. By IRS regulations, these funds are considered to be assets of the University until distributed to participants.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 13 – Net Assets

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

	2016	2015
Unrestricted		
Available for operations	$ 49,640	$ 32,310
Invested in property, plant, and equipment	125,936	112,195
Board-designated quasi-endowment funds	20,454	14,548
Board-designated for investment in property, plant, and equipment	8,304	8,119
Total unrestricted	$ 204,334	$ 167,172
Temporarily Restricted		
Unappropriated donor-restricted endowment earnings	$ 55,256	$ 63,961
Board-designated quasi-endowment funds	12,127	19,848
Property, plant, and equipment	62,141	59,517
Financial aid	3,221	3,917
Program support	23,916	19,931
Academic chairs	1,486	1,499
Split-interest agreements	4,076	4,143
Student loan program	221	222
Total temporarily restricted	$ 162,444	$ 173,038
Permanently Restricted		
Financial aid	$ 80,772	$ 91,771
Program support	16,103	16,106
Academic chairs	14,577	12,673
Split-interest agreements	4,015	4,659
Student loan program	946	948
Total permanently restricted	$ 116,413	$ 126,157

Note 14 – Commitments and Contingencies

Commitments – As of May 31, 2016, the University had outstanding, but not yet payable, purchase commitments in the amount of $3,564 related to the construction of campus facilities.

On March 31, 2016, Gonzaga University entered into an agreement with the University of Washington, an institution of higher education and an agency of the State of Washington, School of Medicine to provide faculty, student support services, and facilities for the University of Washington School of Medicine – Gonzaga University, beginning in July 2016. The program will expand the University of Washington's Washington, Wyoming, Alaska, Montana, and Idaho medical education program in Spokane, with an emphasis in meeting the needs of rural and medically underserved communities in eastern Washington. The agreement is effective until June 30, 2020, with automatic renewals for two year terms thereafter, unless the parties terminate the Agreement via written mutual agreement or written notice of termination, by either party, twenty-four months in advance.

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

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

Note 15 – Fair Value of Financial Instruments

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

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

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

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

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

Transfers between the levels are recognized on the actual date of the transaction or circumstance that caused the transfer.

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

Level 1 assets include:

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

Level 2 assets and liabilities include:

- Investments in U.S. government and agency obligations, corporate bonds, municipal bonds, and asset-backed obligations. These investments use other observable inputs to measure fair value such as dealer market prices for comparable investments based on interest rates, spreads, and trade activity in the market.
- Investments in international and emerging market commingled equity funds valued using the fund managers' respective net asset values, derived from active market exchange values of the underlying fund investments at the last reported sales price.
- Investments in privately held stock valued using the market approach using recent sales.
- Investments in real property assets valued using appraised or tax assessed values that approximate market values.
- Interest rate swaps valued using estimates of the related LIBOR rates and the BMA municipal swap index rates during the term of the swap agreements.

Level 3 assets include:

- Privately held stock valued based on the net asset value of the investment that approximates market value.
- Beneficial interests in the future cash flows of eight different split interest agreements, valued under the income approach, calculated using a discounted cash flow analysis based on the expected annuity payments to be made over the remaining life of each respective beneficial interest, utilizing a risk-free rate adjusted for the inherent risk of the assets held and the risk of nonperformance. The primary unobservable inputs for beneficial interests in split interest agreements are the applicable discount rates that range from 1.8% to 6.0%, and applicable life expectancies that range from 6 to 27 years. A 1.0% increase in each of the underlying discount rates would decrease the fair value by approximately $859. A 1.0% decrease in each of the underlying discount rates would increase the fair value by approximately $1,094. The sensitivity associated with changes in life expectancies is not quantified.

Alternative investments that are not readily marketable or redeemable are valued utilizing the most current information provided by the fund managers using the net asset value (NAV) per share of the respective fund as a practical expedient to estimate the fair value of the University's interest in the respective fund.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 15 – Fair Value of Financial Instruments (continued)

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

	May 31, 2016			
	Level 1	Level 2	Level 3	Total
Short-term investments				
Domestic fixed income mutual fund	$ 5,033	$ -	$ -	$ 5,033
U.S. government and agency obligations	-	27,008	-	27,008
Corporate bonds	-	21,425	-	21,425
Asset-backed obligations	-	4,367	-	4,367
Total short-term investments	5,033	52,800	-	57,833
Deposits with bond trustees				
Money market funds	3,067	-	-	3,067
U.S. government and agency obligations	-	2,402	-	2,402
Corporate bonds	-	7,342	-	7,342
Total deposits with bond trustees	3,067	9,744	-	12,811
Long-term investments				
Cash and cash equivalents	3,051	-	-	3,051
Equity securities				
Mutual funds, index funds, and commingled funds				
Domestic	34,459	-	-	34,459
International	29,858	11,521	-	41,379
Direct ownership - public and privately held stock	17,667	1,445	835	19,947
Fixed income securities				
Mutual funds and index funds				
Domestic	27,996	-	-	27,996
International	5,240	-	-	5,240
Corporate bonds	-	238	-	238
Assets held under split interest agreements				
Cash and cash equivalents	314	-	-	314
Equity mutual funds	6,364	-	-	6,364
Equity-direct ownership	657	-	-	657
Fixed income mutual funds	2,972	-	-	2,972
Other	410	6,502	-	6,912
Total long-term investments in fair value hierarchy	128,988	19,706	835	149,529
Beneficial interest in split interest agreements held by others	-	-	7,555	7,555
Total assets in fair value hierarchy	$ 137,088	$ 82,250	$ 8,390	$ 227,728
Obligation under interest rate swaps	$ -	$ (7,209)	$ -	$ (7,209)
Total liabilities in fair value hierarchy	$ -	$ (7,209)	$ -	$ (7,209)
Long-term investments measured at NAV practical expedient[1]				$ 73,237

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 15 – Fair Value of Financial Instruments (continued)

	May 31, 2015			
	Level 1	Level 2	Level 3	Total
Short-term investments				
Domestic fixed income mutual fund	$ 5,008	$ -	$ -	$ 5,008
U.S. government and agency obligations	-	17,106	-	17,106
Corporate bonds	-	15,815	-	15,815
Municipal bonds	-	520	-	520
Asset-backed obligations	-	1,132	-	1,132
Total short-term investments	5,008	34,573	-	39,581
Deposits with bond trustees				
Money market funds	187	-	-	187
U.S. government and agency obligations	-	12,751	-	12,751
Corporate bonds	-	425	-	425
Total deposits with bond trustees	187	13,176	-	13,363
Long-term investments				
Cash and cash equivalents	1,679	-	-	1,679
Equity securities				
Mutual funds, index funds, and commingled funds				
Domestic	31,837	-	-	31,837
International	25,835	17,419	-	43,254
Direct ownership - public and privately held stock	20,376	1,126	801	22,303
Fixed income securities				
Mutual funds and index funds				
Domestic	35,469	-	-	35,469
International	5,591	-	-	5,591
Corporate bonds	-	350	-	350
Assets held under split interest agreements				
Cash and cash equivalents	277	-	-	277
Equity mutual funds	7,120	-	-	7,120
Equity-direct ownership	658	-	-	658
Fixed income mutual funds	3,191	-	-	3,191
Other	374	1,049	-	1,423
Total long-term investments in fair value hierarchy	132,407	19,944	801	153,152
Beneficial interest in split interest agreements held by others	-	-	7,524	7,524
Total assets in fair value hierarchy	$ 137,602	$ 67,693	$ 8,325	$ 213,620
Obligation under interest rate swaps	$ -	$ (7,454)	$ -	$ (7,454)
Total liabilities in fair value hierarchy	$ -	$ (7,454)	$ -	$ (7,454)
Long-term investments measured at NAV practical expedient[1]				$ 70,945

[1] In accordance with Subtopic 820-10, certain investments that are measured at net asset value 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.

Notes to Consolidated Financial Statements (Dollars in thousands)

Note 15 – Fair Value of Financial Instruments (continued)

Following is a reconciliation of activity for the years ended May 31, 2016 and 2015, of assets classified as Level 3.

	Privately Held Stock	Beneficial interest in split interest agreements held by others	Total
Balance, May 31, 2014	$ 801	$ 7,664	$ 8,465
Net unrealized gains	-	550	550
Return of capital/transfers to income	-	(690)	(690)
Balance, May 31, 2015	801	7,524	8,325
Net unrealized gains	34	338	372
Return of capital/transfers to income	-	(307)	(307)
Balance, May 31, 2016	$ 835	$ 7,555	$ 8,390

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

	Fair Value at May 31, 2016	Unfunded Cash Commitments	Redemption Frequency (if Eligible)	Redemption Notice Period	Investment Strategies and Other Restrictions
Commingled funds (Level 2)	$ 11,521	$ -	(a)	(a)	(a)
Limited partnership investments					
Managed diversified global multi-asset fund	38,585	-	(b)	(b)	(b)
Private credit funds	10,941	9,501	(c)	n/a	(c)
Diversified fund of funds	4,774	215	(d)	n/a	(d)
Real estate funds	8,433	-	(e)	(e)	(e)
Hedge and other funds	10,504	4,121	(f)	(f)	(f)
Total long-term investments measured at NAV practical expedient	73,237	13,837			
	$ 84,758	$ 13,837			

a) The commingled equity fund in this category can be redeemed monthly with 15 days notice, unless any withdrawal would have a materially adverse effect on the fund. The fund's investment objective is to achieve long-term capital appreciation by investing in a portfolio of primarily international market companies.

b) The University may receive up to 5% of this capital account balance in the fund as an automatic annual distribution. Currently, the University has elected to retain this 5% of its capital balance in the fund. The University may change this election annually, and the election must be made in the first quarter of the calendar year preceding the first calendar year to which the distribution applies, and amounts will be distributed within 90 days of the end of the calendar year, or within 10 business days after the fund's audited financial statements for the year are completed.

For distributions in excess of the automatic annual distribution, the University may request the withdrawal of all or a portion of its capital account, with a minimum withdrawal of at least $1,000, on the last day of any calendar year by providing a withdrawal request at any time during the fourth quarter of the preceding calendar year. The amount requested to be withdrawn will be apportioned between the liquid portion and limited liquidity portion of the University's capital account, as determined based on the liquidity attributes of the underlying fund investments. As of May 31, 2016, the value of the liquid portion is $4,113. The fund will make a distribution within 30 days after the effective withdrawal

Note 15 – Fair Value of Financial Instruments (continued)

date in an amount not less than 90% of the liquid portion, with the remaining liquid portion amount paid subsequent to the fund's financial statement audit. For withdrawal amounts attributable to the limited liquidity portion, distributions will be made within 45 days after the realization or deemed realization of assets held in that account. Distributions may be made in cash or in fund assets (or both). The fund general partner can also suspend the rights of the University and other limited partners to make withdrawals or receive distributions for all or part of any period of market disruption. The fund general partner may also limit withdrawals such that they do not exceed 15% of the liquid subaccount balance.

The fund's objective is to manage and grow long-term capital with equity-like annual returns of 10-12% over time, with lower than average risk, with investments in fixed income, public equities, absolute return strategies, real assets, and private equity.

c) This category includes four private credit funds, including a mezzanine debt fund, a special opportunities fund, a domestic mid-stream energy fund, and a European direct fund. Each fund has the objective to invest in debt and debt-like preferred securities of companies, primarily to generate interest income, within the mandate of the respective fund. Each fund, with the exception of the domestic mid-stream energy fund, is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. Distributions are received through the liquidation of the underlying assets of the funds. It is estimated the underlying assets of these funds will be liquidated between 2018 and 2024. The domestic mid-stream energy fund is redeemable on the last day of each month with thirty days written notice.

d) This category includes four private equity funds, with underlying investments in domestic equity, buyout, venture capital, and private equity funds. Each fund has the objective to generate capital appreciation at a rate in excess of that historically generated by investments in publically traded equity securities. The funds can only be redeemed through the liquidation of underlying assets, and as underlying assets are liquidated, distributions are received. It is estimated that the underlying assets of the illiquid funds will be liquidated between 2016 and 2024.

e) This category includes two real estate funds that are primarily invested in U.S. commercial and residential real estate with the objective to invest in real estate assets to generate capital appreciation and operating income. Investments representing 97% of the investments in this category can be redeemed with at least 90 day notice, as liquid assets in the fund permits. The remaining portion of real estate funds can only be redeemed through liquidation of the underlying assets, which is anticipated to occur by the end of 2016.

f) This category includes a hedge fund (64%) and three private equity funds (36%). The hedge fund seeks to efficiently capture a diversified set of classic hedge fund strategies with little or no correlation to traditional assets classes, and can be withdrawn with 75 days notice. The three private equity funds invest in privately-held entities with potential for significant growth in revenue and earnings. Each fund is nonredeemable and can be sold only on the secondary market as long as the respective fund general partner receives an opinion from counsel that such a transfer is not in violation of certain sanctions of the Securities Act, Investment Company Act, and/or federal tax laws. It is estimated that the underlying assets of the funds will be liquidated between 2016 and 2024.

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

The following methods and assumptions were used to estimate the fair value of each class of financial assets and liabilities that are disclosed, but not carried at fair value:

Notes receivable – Carrying value approximates fair value for notes receivable that are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms subject to significant restriction as to their transfer or disposition.

Contributions receivable – Carrying value approximates fair value based on the present value of expected future cash flows, less an allowance for doubtful accounts.

WHEFA bonds (Level 2) – Fair values are determined using future cash flows discounted at a rate of interest currently offered for debt with similar remaining maturities. The fair value and carrying value of the WHEFA bonds payable at May 31, 2016, were approximately $188,847 and $169,265, respectively. The fair value and the carrying value of the WHEFA bonds payable at May 31, 2015, were approximately $194,720 and $175,139, respectively.

Note 16 – Related Parties

Contributions receivable and contributions revenue includes amounts from members of the Board as listed below:

	2016	2015
Contributions receivable, net	$ 12,980	$ 11,423
Contributions revenue	555	1,783

The University has bank deposits and a line of credit with a bank whose chairman and CEO is a member of the Board.

Unrestricted Operating Expenses Combined by Natural Classification *(Dollars in thousands)*

The University's unrestricted operating expenses in the statements of activities are combined by natural expenditures as of May 31 as follows:

	2016	2015
Salaries and benefits	$ 123,553	$ 120,161
Employee early termination expense	1,823	37
Meetings, travel, and memberships	12,645	11,391
Depreciation	10,904	9,057
Dining expenses	9,142	8,225
Occupancy, telephone, utilities, and insurance	9,718	9,846
Materials, supplies, printing, and postage	9,393	8,744
Interest	9,868	8,418
Professional fees and contracted services	6,451	4,988
Maintenance and rentals	5,087	4,217
Advertising, promotion, and recruitment	4,353	3,881
Other expenses	6,352	5,918
	$ 209,289	$ 194,883

Mission Statement

Gonzaga University is an exemplary learning community that educates students for lives of leadership and service for the common good. In keeping with its Catholic, Jesuit, and humanistic heritage and identity, Gonzaga models and expects excellence in academic and professional pursuits and intentionally develops the whole person — intellectually, spiritually, physically, and emotionally.

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

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

Vision Statement

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

GONZAGA
UNIVERSITY

502 E Boone Ave, Spokane, WA 99258