A BANNER YEAR

AS EVIDENT from the preceding pages, the culture at the University is always evolving and maturing. Our financial operations are no exception. In fact, FY2017 was an outstanding year, thanks in part to our multicylinder revenue model and our commitment to operational excellence.

For starters, our endowment reached new heights. When we closed the books, the fund attained a level of $1.957 billion, an 18% increase from $1.655 billion in FY2016. And the monetization of our properties in Kenmore Square, originally purchased over many years to revitalize a neglected section of the city at our eastern gateway, yielded more than $100 million for the benefit of the endowment.

But we don't live by endowment alone. The fund only provided 3% of our revenue support in FY2017. And while we continue to reduce the size of our freshman class, we matriculated 3,552 first-year students, slightly above our target goal of 3,500, while our master's programs saw a 7% increase in enrollments. Taken together, tuition and fees made up 55% of our revenue, net of $344.1 million in financial aid from the University, and auxiliary enterprises were 14.1% of our revenue, net of $11.4 million in University financial aid for room and board.

Sponsored program awards totaled $400.7 million in FY2017, and cash and in-kind giving totaled $157.5 million. All told, our operating revenues of $1.895 billion increased by $78 million over last year, while our expenses rose by $56 million.

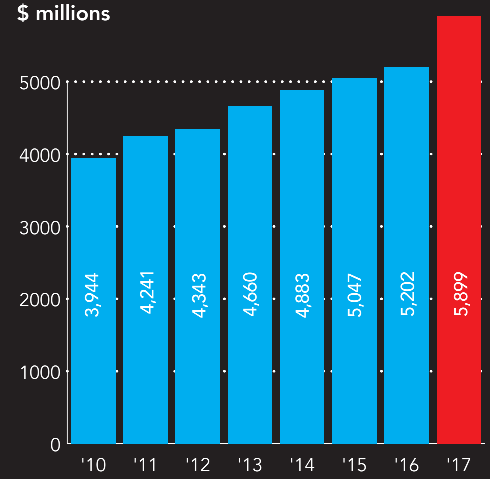
At the end of the day, the University's net assets increased $507 million, a historic 18% increase, from $2.9 billion to $3.4 billion. This type of healthy outcome is consistent with Moody's Investors Service decision last year to elevate our A1 rating from Stable to Positive.

And if you're looking for even more financial details, we've supplied some helpful charts and graphs.

Performance Benchmarks

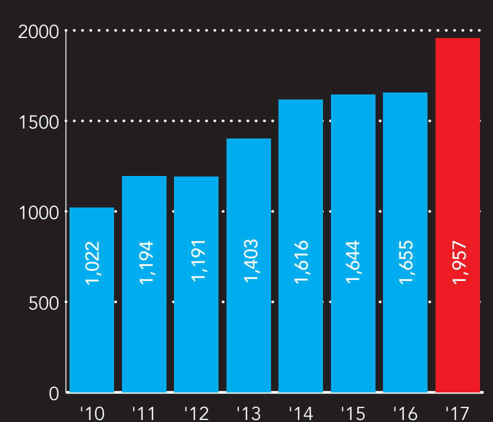
Total assets

$ millions



Total endowment assets

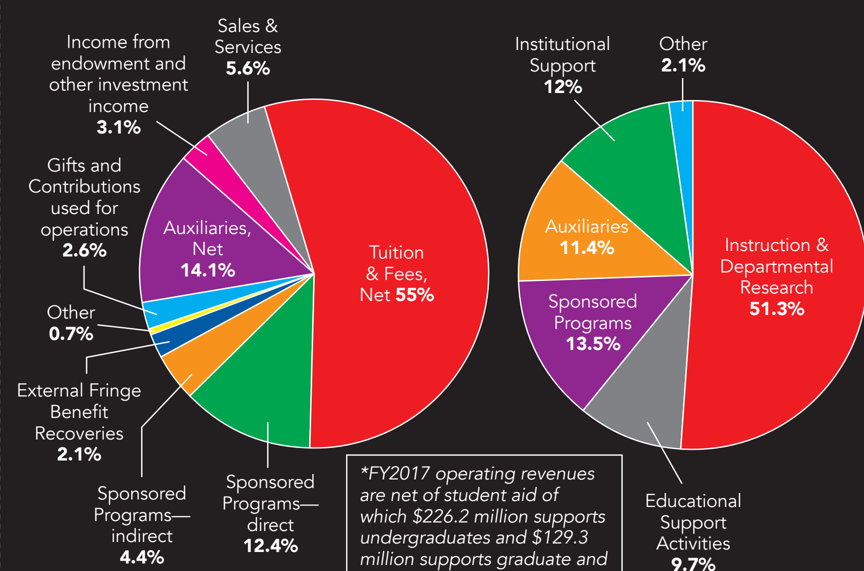
$ millions



Operating Revenues & Expenses FY2017

Total Revenues: $1.9 billion*

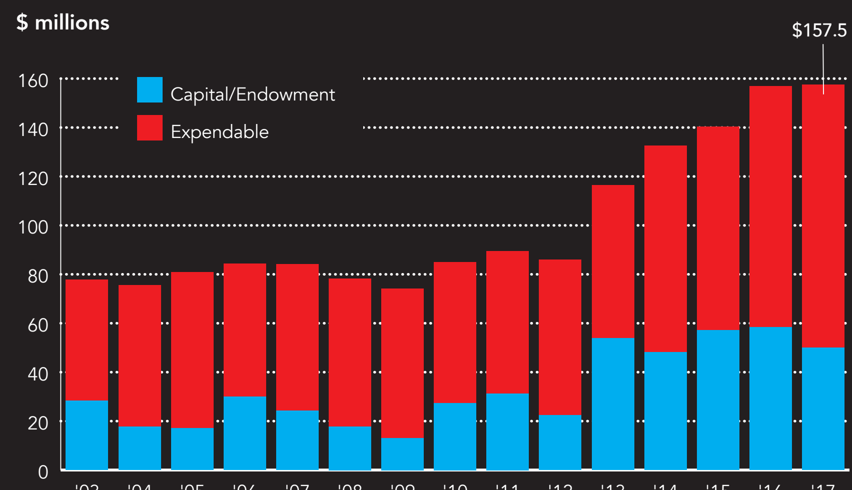
Total Expenses: $1.7 billion



FY2017 operating revenues are net of student aid of which $226.2 million supports undergraduates and $129.3 million supports graduate and other students, for a total of $355.5 million.

Cash and In-Kind Giving to the University FY2003–2017

$ millions



Audited Financial Summary

$ thousands

	2013	2014	2015	2016	2017
Operating revenues					
Student tuition and fees, net	$ 869,954	$ 904,808	$ 944,832	$ 994,069	$ 1,046,018
Auxiliaries, net	260,662	256,572	263,715	263,739	266,419
Sponsored programs-direct	240,763	236,952	224,360	228,327	234,665
Sponsored programs-indirect	81,678	78,779	79,763	78,792	82,737
External fringe benefit recoveries	41,388	44,768	42,820	42,929	39,542
Sales and services	95,110	108,528	96,070	96,621	105,320
Endowment spending formula amount & other investment income	40,643	44,528	49,251	50,318	58,226
Gifts and contributions used for operations	37,656	37,989	46,379	47,985	48,401
Other income	15,790	14,684	14,957	14,589	13,707
Total operating revenues	**$ 1,683,644**	**$ 1,727,608**	**$ 1,762,147**	**$ 1,817,369**	**$ 1,895,035**
Operating expenses					
Instruction and departmental research	$ 777,646	$ 789,807	$ 822,314	$ 859,377	$ 894,771
Educational support activities	137,628	145,757	156,500	163,567	169,756
Sponsored programs	237,408	235,702	224,673	227,349	235,449
Auxiliaries	207,269	196,514	203,038	191,905	199,267
Institutional support	216,969	210,311	200,353	209,660	209,303
Other expenses	39,597	37,889	35,700	36,956	36,557
Total operating expenses	**$ 1,616,517**	**$ 1,615,980**	**$ 1,642,578**	**$ 1,688,814**	**$ 1,745,103**
Net operating gain	**$ 67,127**	**$ 111,628**	**$ 119,569**	**$ 128,555**	**$ 149,932**
Nonoperating Activity					
Contributions	$ 55,000	$ 40,321	$ 80,714	$ 33,926	$ 137,428
Reinvested endowment and other investment income	19,629	19,176	19,617	22,289	34,958
Net realized and unrealized gains (losses) on investment and other assets	75,603	204,600	23,153	68,846	195,396
Spending formula amount	(43,753)	(47,979)	(51,429)	(55,967)	(64,464)
Other	113,617	(44,204)	(82,595)	(139,849)	54,099
Total nonoperating gain (loss)	**$ 220,096**	**$ 171,914**	**$ (10,540)**	**$ (70,755)**	**$ 357,417**
Total Results	**$ 287,223**	**$ 283,542**	**$ 109,029**	**$ 57,800**	**$ 507,349**