BOSTON UNIVERSITY

BOSTON UNIVERSITY CONSOLIDATED FINANCIAL REPORT

JUNE 30, 2026 AND 2025

BOSTON UNIVERSITY

Letter from the Treasurer

This past fiscal year unfolded against a landscape of persistent operating pressure, federal policy changes, and intensifying competition for students, talent, and research funding. Alongside rising inflation and softening international enrollment, these pressures created complex challenges for Boston University and similar institutions. Facing these headwinds has required us to respond with adaptability and resilience. We are undertaking a long-term budget transformation that promises substantial benefits: improved organizational alignment, better financial analysis, and greater capabilities for forecasting, scenario-modeling, and long-range planning—so that reliable data informs thoughtful implementation of our Strategic Framework. This deliberate process will span a few years, and we will recalibrate as needed as we go forward. But initial improvements and future developments directly contribute to operational excellence, the foundation for the teaching, learning, and research that sustains BU's global renown as an intellectual and academic destination.

Convergence across sectors, along with disciplined stewardship, has also strengthened the University's financial foundation. Driven by strong investment performance and generous donor support, total net assets increased to nearly $7.1 billion at year-end, an 11.1% increase over the previous year. Our endowment continued its upward trajectory, exceeding $4.6 billion—and, thanks to the concerted efforts of many units, we achieved yet another year of positive operating results.

In a chaotic time for research funding generally, the University continues to win support, securing $608 million in sponsored program awards during the fiscal year. Convergent research, one of Boston University's strategic initiatives, is gaining momentum. New seed and planning grants will help faculty create innovative research collaborations, and a new cluster hiring strategy shows commitment from our schools and colleges to recruit faculty that bridge disciplines. Such convergence is only possible because of existing excellence within disciplines. Biomedical engineer Miguel Jimenez, part of BU's convergent research cluster hiring initiative, is developing microbial devices that use living microorganisms to detect disease and deliver targeted therapies, among many other possible uses. Rigorous, innovative, and productive research—with applications in industry, human health, and public policy—enables the University to advance human knowledge, strengthen communities, and address complex challenges on a global scale.

Convergence is also helping BU to find new avenues of support with projects such as You Are Why, our research-partnership effort. BU Launchpad, a new student internship program that begins in a student's first year and develops throughout their time on campus is another way BU continues to attract students and offer them value. Launchpad opens career opportunities for students and provides employers with an educated workforce ready to make a difference.

Convergence is also evident in recent upgrades to Warren Towers, plans such as the Campus Framework, and the reinvigorated partnership between the University and Boston Medical Center. Sound and deliberate financial management undergirds planned growth across many areas of Boston University.

Rising inflation, international enrollment pressures, and an uncertain federal funding environment create real challenges. But we are coming together to strengthen convergent research, support the next generation of leaders, and strategically invest in our future. With purpose and a strong financial foundation, we will achieve President Gilliam's "North Star" vision and make Boston University the global destination for discovery, education, and human connection for years to come.

Sincerely,

Nicole K. Tirella
Senior Vice President, CFO, and Treasurer

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SELECT FINANCIAL & STATISTICAL DATA unaudited For the years ended June 30 ($000s)	2022	2023	2024	2025	2026
CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS					
Student tuition and fees, net of financial aid	$ 1,297,659	$ 1,343,938	$ 1,357,339	$ 1,391,328	$ 1,390,316
Grants, contracts, and contributions	676,068	649,281	642,374	731,616	676,701
Auxiliary enterprises, net of financial aid	261,044	279,255	288,590	313,552	316,067
Other revenues	226,585	283,370	327,001	331,550	344,974
Total operating revenues	**2,461,356**	**2,555,844**	**2,615,304**	**2,768,046**	**2,728,058**
Total operating expenses	**2,285,169**	**2,403,477**	**2,530,881**	**2,719,848**	**2,724,011**
Net operating activities	**176,187**	**152,367**	**84,423**	**48,198**	**4,047**
Endowment and other long-term investment activities, net	(463,666)	64,302	178,834	345,706	707,229
Other non-operating activities, net	176,678	197,935	41,269	1,652	(5,440)
Net non-operating activities	**(286,988)**	**262,237**	**220,103**	**347,358**	**701,789**
Total change in net assets	**$ (110,801)**	**$ 414,604**	**$ 304,526**	**$ 395,556**	**$ 705,836**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS					
Cash and investments	$ 4,517,918	$ 4,601,644	$ 4,890,730	$ 5,535,314	$ 6,579,279
Property, plant, and equipment, net	2,921,042	3,051,887	3,052,004	3,116,344	3,270,126
Other assets	585,730	667,957	546,605	616,862	504,764
Total assets	**8,024,690**	**8,321,488**	**8,489,339**	**9,268,520**	**10,354,169**
Debt, lease obligation, and interest rate swaps	2,138,033	2,064,465	1,998,053	2,244,304	2,618,623
Other liabilities	648,941	604,703	534,440	671,814	677,308
Total liabilities	**2,786,974**	**2,669,168**	**2,532,493**	**2,916,118**	**3,295,931**
Total net assets	**$ 5,237,716**	**$ 5,652,320**	**$ 5,956,846**	**$ 6,352,402**	**$ 7,058,238**
Total endowment assets	**$ 2,989,671**	**$ 3,154,514**	**$ 3,541,514**	**$ 4,045,503**	**$ 4,697,822**
CREDIT RATING					
Standard & Poor's	AA-	AA-	AA-	AA-	AA-
Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
STUDENTS					
Student full-time equivalent (FTE)*					
Undergraduate	17,355	17,558	17,783	18,090	17,496
Graduate	11,818	11,994	11,661	11,542	11,396
Applications	75,778	80,796	80,495	78,769	76,776
First-year selectivity	19%	14%	11%	11%	13%
First-year yield	28%	31%	36%	37%	35%
Undergraduate tuition rate	$ 58,560	$ 61,050	$ 63,798	$ 66,670	$ 69,870
Percent increase over prior year	3.00%	4.25%	4.50%	4.50%	4.80%

*End of fall semester full-time equivalent enrollment

DISCUSSION OF FINANCIAL RESULTS

During the fiscal year, Boston University operated within a complex financial environment, maintaining its overall stability despite continued economic pressures. While the statements of financial position showed measured growth and liquidity remained strong, the environment required prudent financial management. The University accessed the capital markets, issuing new debt to advance the major renovation of Warren Towers, the largest residence hall on campus.

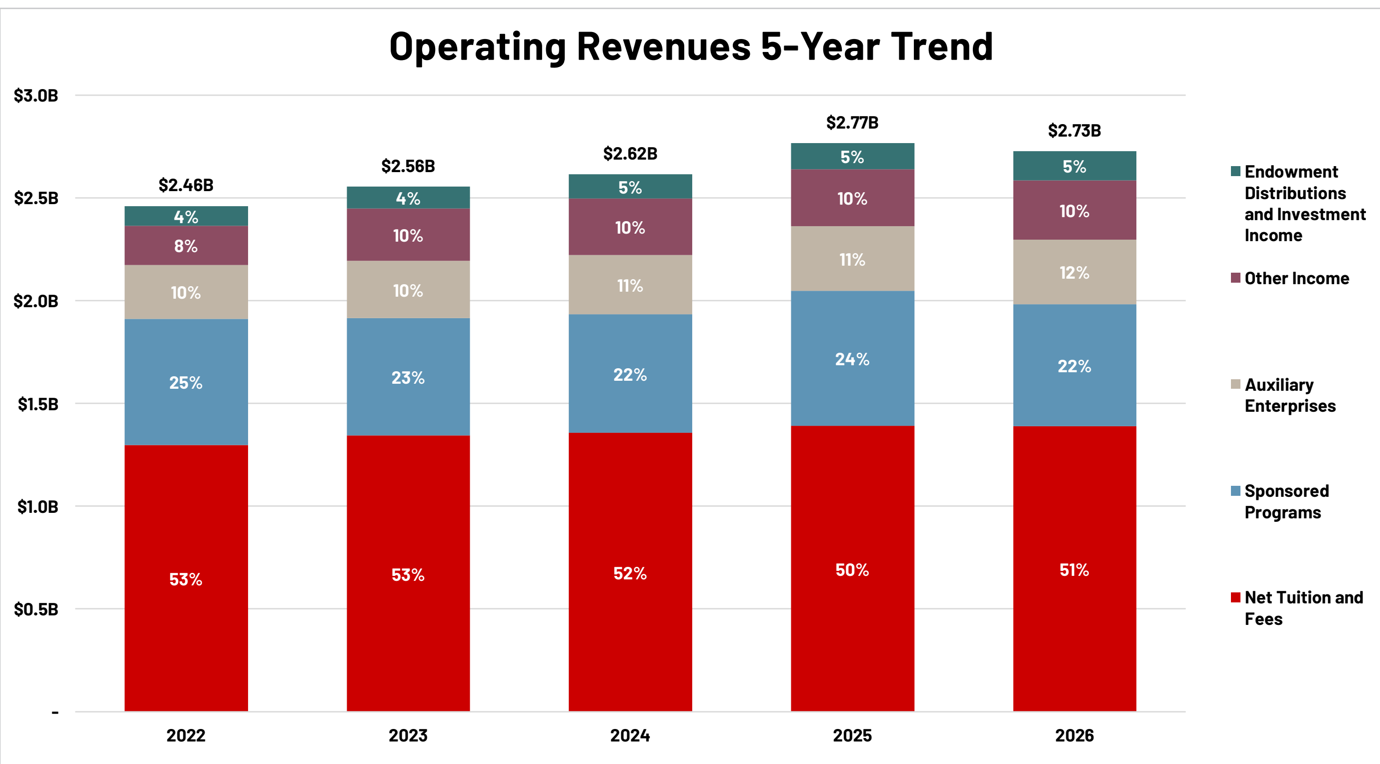
Boston University ended fiscal year 2026 with a net operating gain of $4 million, down from $48 million a year earlier—a decline primarily attributable to $47 million of one-time Federal Emergency Management Agency (FEMA) reimbursements recognized in fiscal year 2025. Adjusted for that nonrecurring item, operating results were modestly stronger than the prior year, although the University continues to face pressure from rising operating costs, particularly financial aid and employee benefits. In response, the University moved quickly to implement cost-saving measures across schools and administrative units, including targeted expense reductions and strategic staffing adjustments. Building on these immediate actions, the University is continuing to assess its operating model—engaging in ongoing strategic planning and budget assessments to align resources with institutional priorities, protect core mission activities, and position the institution to manage continued inflationary pressures, federal funding uncertainty, and demographic shifts affecting enrollment and revenue.

Operating Revenues

Operating revenues and other support, net of financial aid, totaled $2.7 billion in fiscal year 2026, a decrease of $40 million from the prior fiscal year. The decline was driven primarily by lower sponsored program revenue, which reflects the absence of $47 million in nonrecurring FEMA reimbursements recognized in fiscal year 2025, partially offset by growth in room and board revenue and largely stable tuition revenue.

Revenue from student-facing activities, including net tuition and fees and room and board, continued to represent approximately 60% of total operating revenue. Undergraduate tuition, net of financial aid, decreased 0.4%, as higher financial aid and expected enrollment declines following the large graduating class in 2025 more than offset a 4.8% tuition rate increase. Graduate tuition, net of financial aid, increased slightly by 0.1%, as higher tuition rates were largely offset by softer enrollment in certain programs. Net room and board revenue increased $5 million or 2.2%, primarily reflecting higher room and board rates.

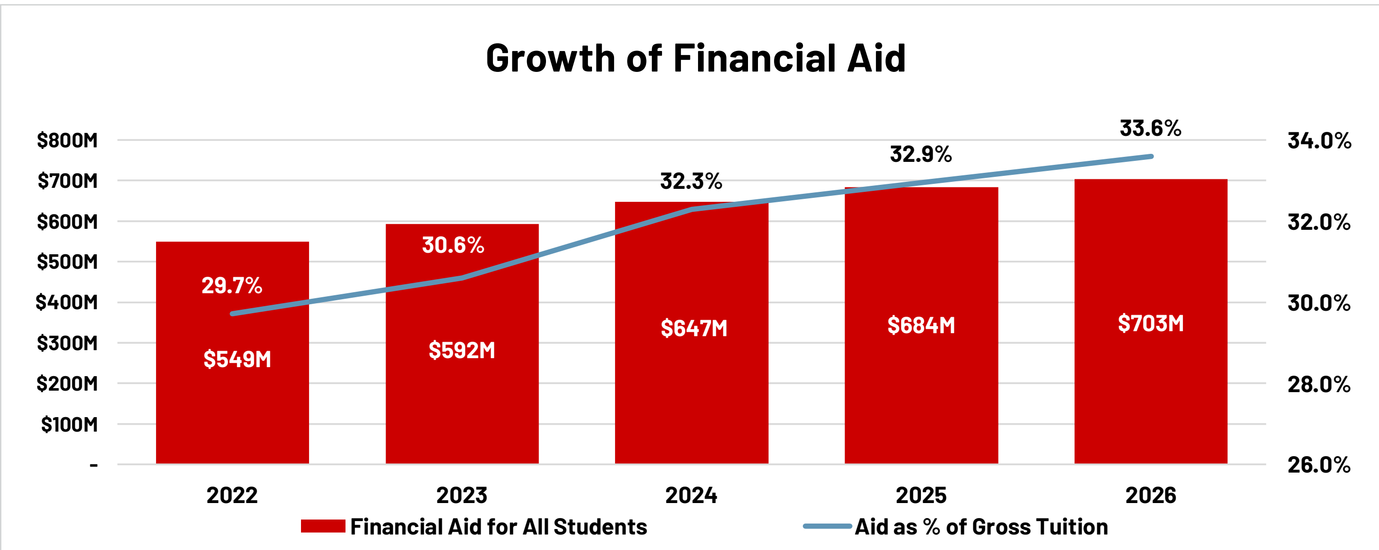
Sponsored programs remain the University's second largest revenue stream. Excluding the nonrecurring FEMA reimbursements, these revenues declined modestly while research activity and awards remained strong, mainly from Combating Antibiotic-Resistant Bacteria



Biopharmaceutical Accelerator (CARB-X) as a result of strengthened research partnerships accelerating a diverse portfolio of innovative antibacterial products towards clinical development and regulatory approval. The University continues to closely monitor evolving federal research funding policy, including potential changes to indirect cost recovery rates and grant terms, and maintains active engagement with sponsors and federal agencies to manage this risk and protect the continuity of the University's research portfolio.

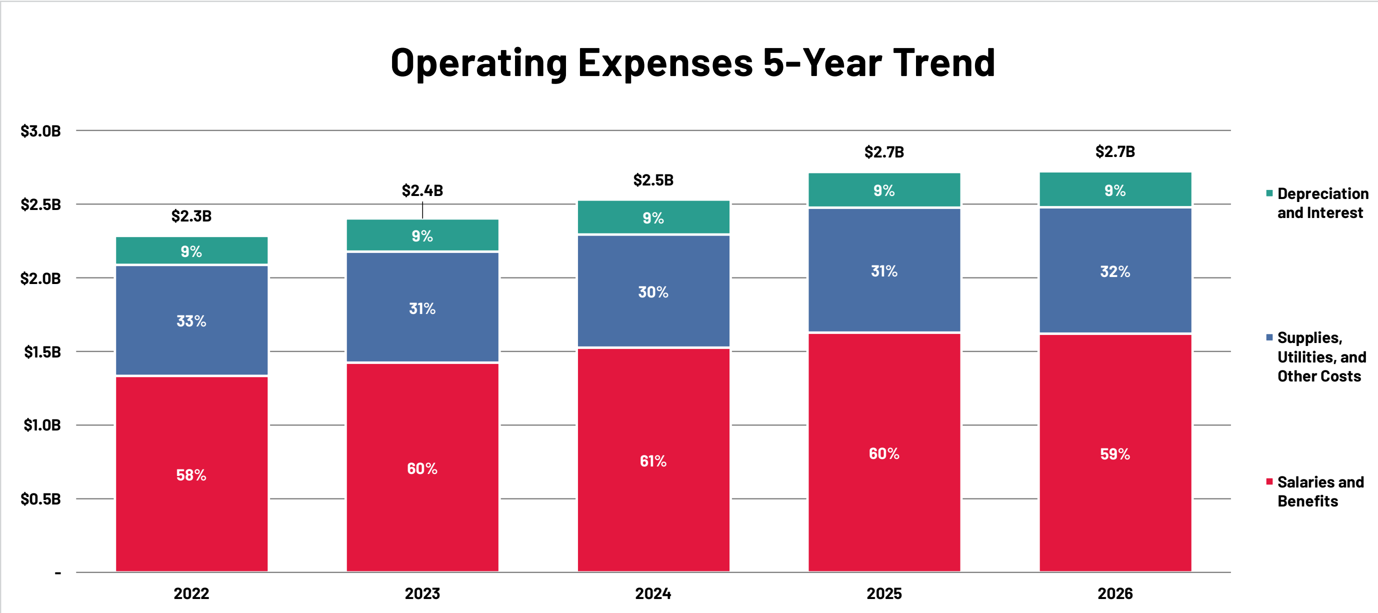
Other revenues, including endowment distributions, investment income, contributions, sales and service revenues, and other auxiliary enterprise revenues, make up less than 20% of total operating revenues.

The University's deliberate expansion of financial aid underscores its commitment to access, transparency, and affordability for students from all socioeconomic backgrounds. The average undergraduate financial aid award per recipient increased 2.9% in fiscal year 2026, contributing to a tuition discount rate of 33.6%. Since fiscal year 2022, financial aid has increased by more than 28%, or $154 million, representing a compound annual growth rate of 6.4%. This sustained investment demonstrates the University's dedication to reducing financial barriers and supporting student success. Building on this momentum, in August 2026 the University publicly launched the BU Promise, an initiative that will provide greater transparency into undergraduate financial aid beginning in fiscal year 2027 by establishing expected aid levels for families with an annual income below $200,000.

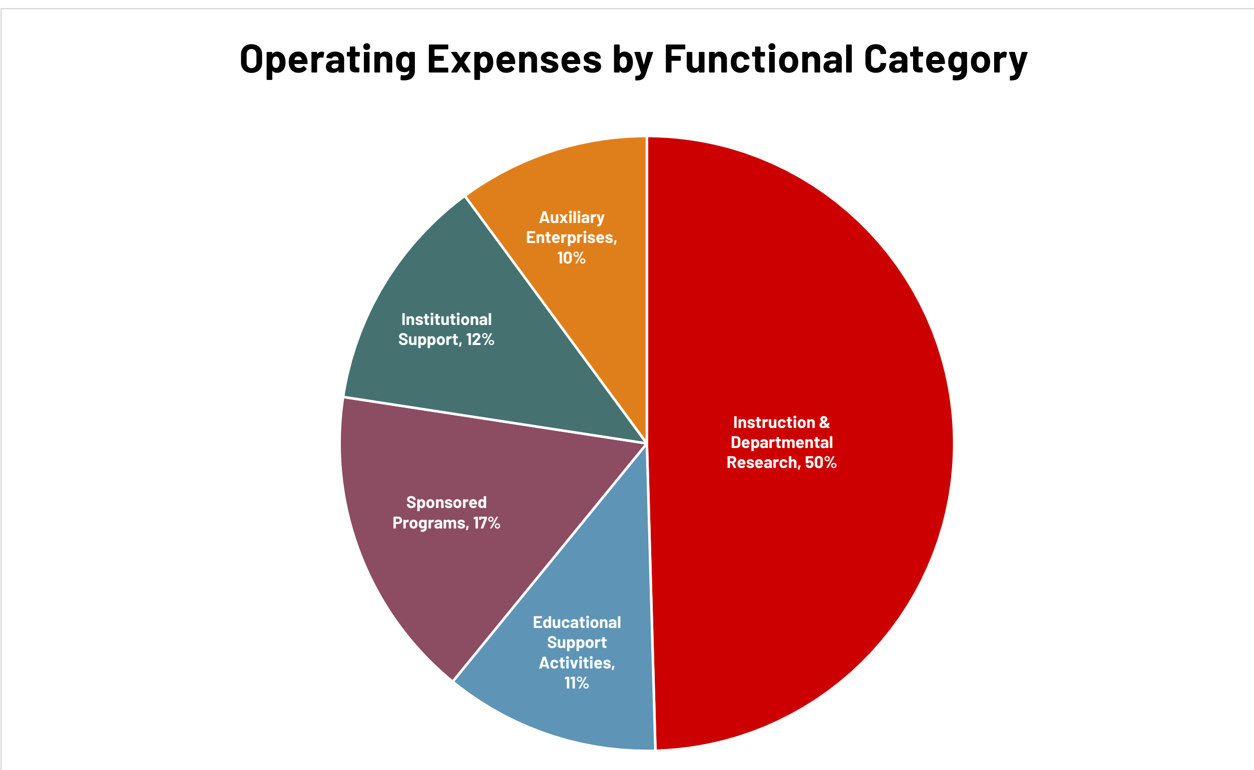


Operating Expenses

Operating expenses totaled $2.7 billion in fiscal year 2026, remaining essentially flat, exceeding the prior year by just $4 million, or 0.2%. Personnel costs account for nearly 60% of the University's operating expenses. Salaries decreased $19 million, or 1.5%, year-over-year, reflecting the strategic staffing adjustments described above, offset partially by increased graduate student employee payroll. Employee benefits increased $11 million, or 2.9%, driven by rising healthcare costs, severance costs associated with these staffing adjustments, and higher employee utilization of Paid Family and Medical Leave benefits. Of total salary and benefit spending, approximately 60% is directed toward the University's core mission of instruction and departmental research. Even as the University tightened staffing in fiscal year 2026, with full-time headcount reduced by more than 230, or 3.5%, it has continued to invest in its faculty over the longer term: faculty headcount has grown by more than 280 since fiscal year 2022, a compound annual growth rate of 1.5%. Supplies, utilities, and other costs increased $9 million, or 1.2%, driven by rising utility rates and higher CARB-X research activity, offset by strategic budget reductions to materials and supplies spending.



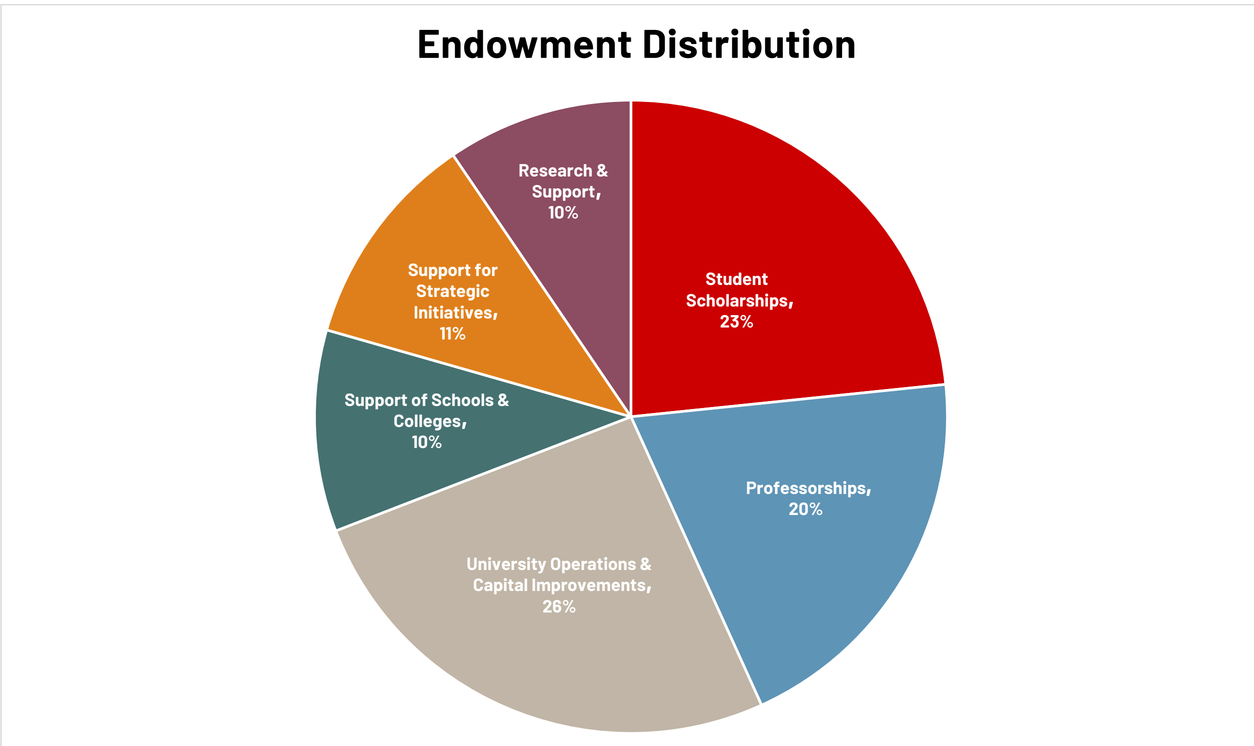
Boston University's commitment to its mission of providing a high-quality educational experience for its students, as well as supporting innovative research, is evident in the functional analysis below, with 78% of expenditures focused on student-related and research activities.



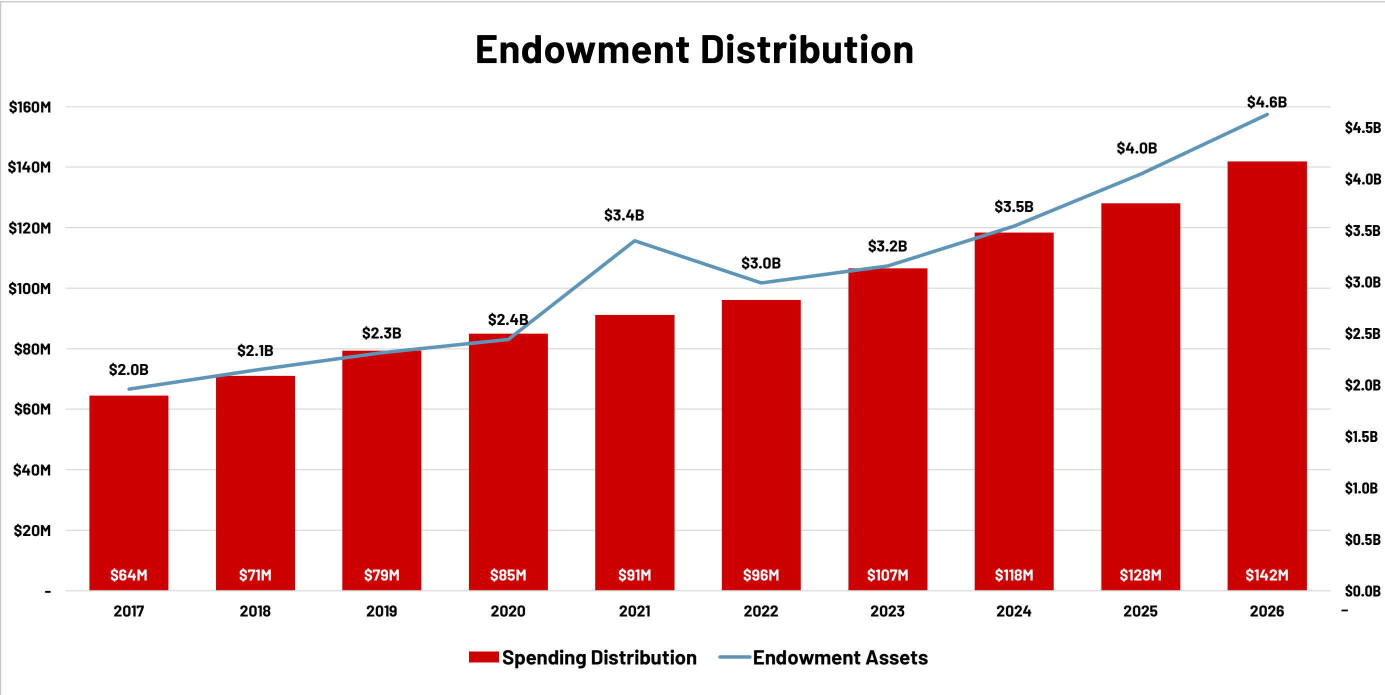
Endowment Assets and Distribution

BU's endowment serves as a critical financial foundation for the University's mission of teaching, learning, and research. It is composed of donor gifts designated for a specific purpose and funds set aside by the Board of Trustees, also known as quasi-endowments, together reinforcing the University's stability and long-term vitality. These funds are prudently invested in a diversified portfolio to preserve their value and sustain support for generations to come.

The University's endowment assets increased to $4.7 billion as of June 30, 2026, an increase of $652 million, or 16.1%, year-over-year. This growth reflects strong investment performance and new gifts and additions of $37 million, partially offset by endowment distributions of $142 million. The University established 49 new endowments during the year, totaling $12.9 million, including 22 endowed scholarships and 2 endowed for research support. Since 2016, the University's endowment has grown by over $3 billion, reflecting a compound annual growth rate of 11.0%.



Endowment spendable distributions increased 10.8% in fiscal year 2026, providing an additional $14 million in operational support compared to the prior year. Supported by substantial endowment investment returns in recent periods and the University's disciplined spending policy, annual distributions have more than doubled over the past nine years—growing from $64 million in fiscal year 2017 to $142 million in fiscal year 2026. These distributions are an essential and expanding source of support for the University's mission, although more than half are restricted by donors for particular programs, departments, or initiatives and are governed by donor-established terms. To support the development of the annual budget, the University applies its endowment spending guideline several months before the start of each fiscal year to establish a spending rate. The guideline is based on the average endowment value over the past 20 quarters as of the most recent calendar year-end and is designed to provide steadily increasing support for operations while smoothing the impact of market volatility. This approach tempers distribution growth in strong markets while building reserves to sustain distributions in weaker markets. To ensure an appropriate balance between current and future generations, the annual distribution must also fall within 3% and 5% of the endowment's value at the most recent calendar year-end.



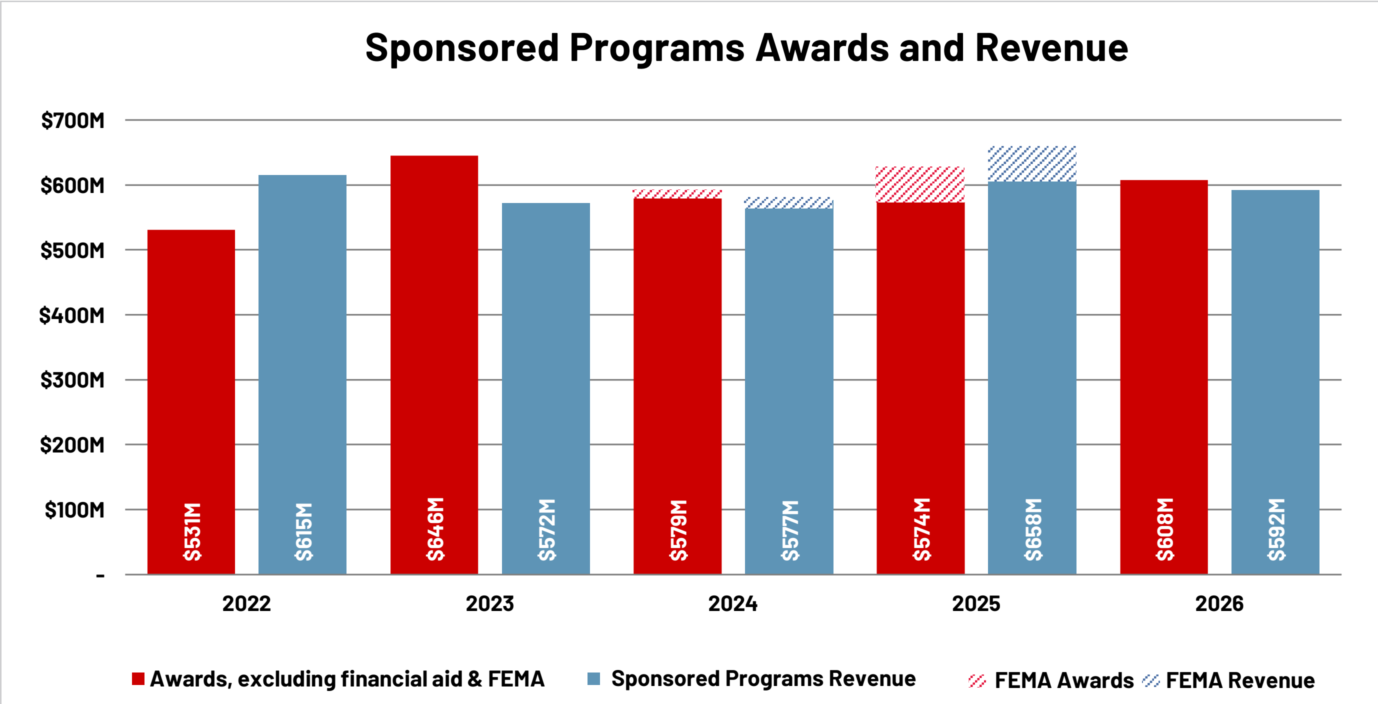
Sponsored Programs

Sponsored research at universities plays a vital role in driving discovery, innovation, and societal progress. It fuels the nation's competitiveness by advancing science, technology, health, and policy, while also training the next generation of scholars and innovators. By tackling complex challenges, ranging from public health to climate change, university-led research produces the knowledge and insights that shape society's collective future. Federal, state, and foundation sponsors partner with institutions of higher education to ensure that these ideas are not only pursued but translated into real-world impact, benefiting both the country and the global community.

Each year, the University submits thousands of proposals to federal, state, and foundation sponsors, resulting in sponsored program awards that provide essential support for both current and future research. As research is conducted and expenses are incurred, the University seeks reimbursement from sponsors and recognizes the associated revenues. In some cases, awards are funded in advance, creating a timing gap between when funds are awarded and when revenue is recorded.

Sponsored program activity remains strong, with total awards of $608 million in fiscal year 2026. Federal agencies, most prominently the Department of Health and Human Services and the National Science Foundation, continue to be the primary funding sources, representing 61% of total awards.

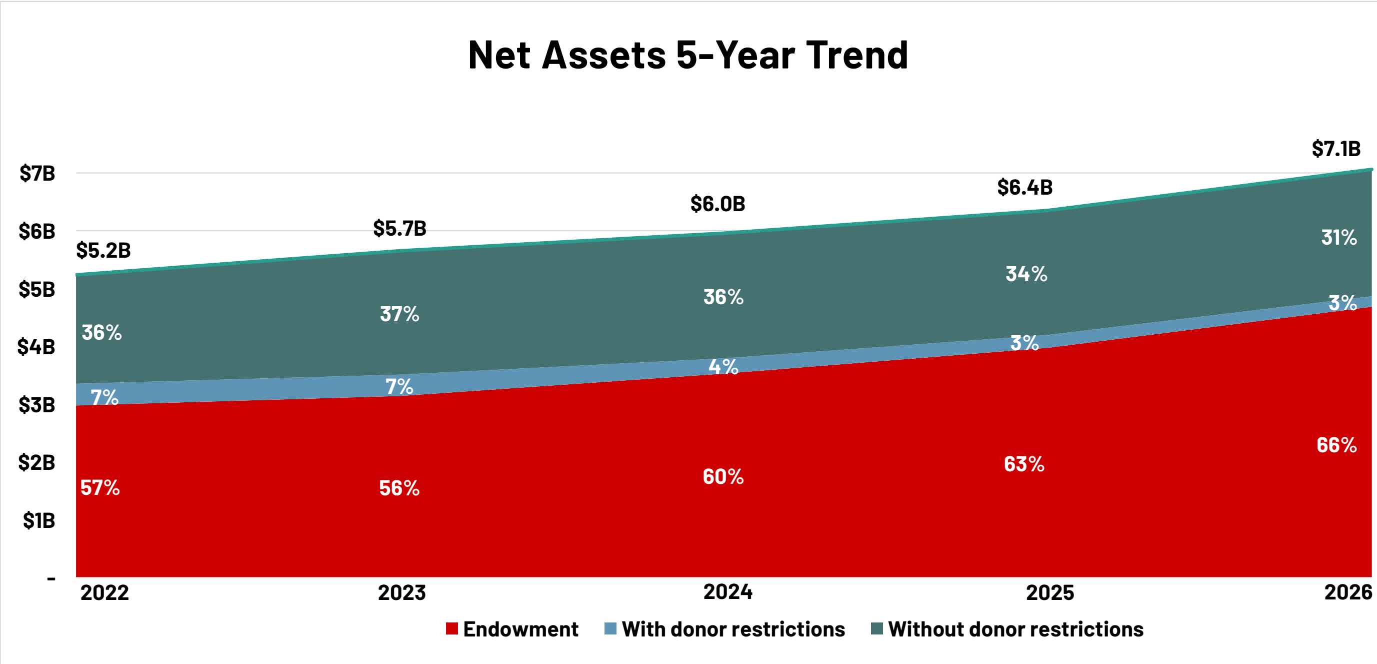
Facilities and administrative (F&A) costs represent institutional costs incurred in support of sponsored research, including research facilities, technology, libraries, regulatory compliance, and administrative support. Recovery of these costs from sponsors provides an important source of funding for the infrastructure necessary to conduct research. Given that federal agencies represent the majority of the University's sponsored awards, continued diligence in monitoring federal research funding policy, including potential changes to F&A and indirect cost recovery rates, remains a priority for safeguarding this critical revenue source.



Net Assets

Net assets show the University's overall financial health. They represent the resources the University has built over time, some restricted for specific purposes and others available to support broader needs. Together, they provide a foundation that allows the University to invest in students, research, and the future.

Net assets increased $706 million, or 11.1%, in fiscal year 2026, driven primarily by strong investment performance within the University's endowment. This marks four consecutive years of growth, and since 2022, net assets have increased by $1.8 billion, or 34.8%, representing a compound annual growth rate of 7.7%. This growth has been driven predominantly by investment returns rather than operating results; the University's net operating gain, by contrast, has remained modest, reflecting continued pressure on operating margins from rising costs, particularly financial aid and employee benefits. Sustaining net asset growth over the long term will require continued discipline in managing this operating pressure, so that the University's financial strength does not become increasingly dependent on investment markets alone. The strategic planning and cost management efforts described above are intended to address this pressure and protect the University's financial position going forward.



Liquidity and Debt

The University actively manages its liquidity to ensure sufficient resources to meet operating requirements throughout the year and maintain financial flexibility under a variety of stress scenarios. Consistent with the University's business cycle, fiscal year-end represents the traditional low point in liquidity; nonetheless, unrestricted liquidity totaled $2.3 billion, an increase of $291 million over the prior year. Cash balances were elevated at year-end due to the planned funding of taxable debt payoffs in the first quarter of fiscal year 2027 as part of the University's debt portfolio. Maintaining these funds on hand ensured timely execution of the scheduled debt activity. In addition, the University maintained higher cash balances to support anticipated internal funding requirements as well as pending investment purchases. To supplement this strong position, the University also maintains $400 million in committed bank lines of credit for additional flexibility.

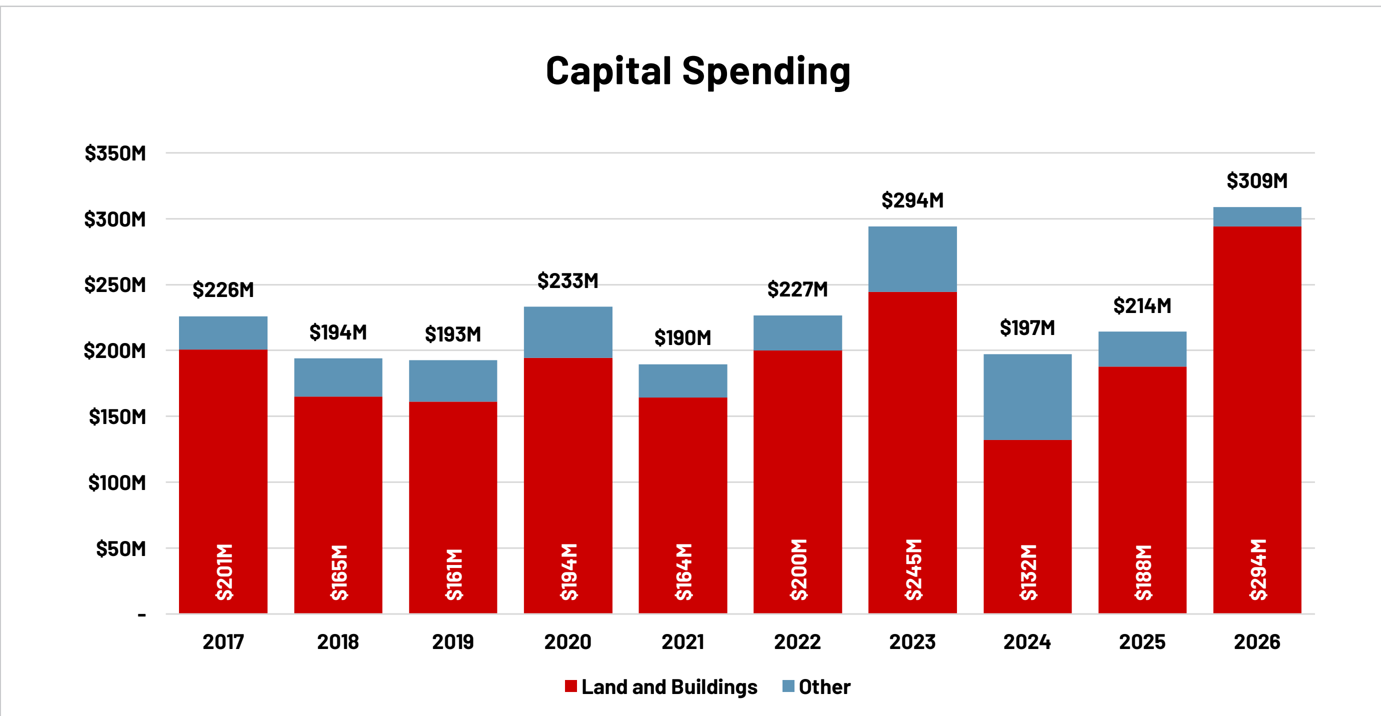
At the close of fiscal year 2026, the University's net bonds and notes payable totaled just over $2.4 billion, an increase of $395 million, or 19.4%. During the year, Boston University issued $360 million of additional debt to provide cost-effective financing necessary for the Warren Towers renovation, initially launched in spring 2025. The University's weighted average cost of capital (WACC) decreased from 3.96% to 3.80%. Looking ahead to fiscal year 2027, Boston University has taken advantage of favorable interest rates to strategically restructure its debt portfolio through further debt issuances and refinancings, reducing debt service and further reducing its WACC. This process will simplify the University's debt portfolio through retirement of a large portion of its interest rate swaps and remove many of the more restrictive bond covenants, giving the University flexibility for future strategic investment.

Credit ratings serve as an important measure of the University's financial stewardship. Strong ratings signal sound management, provide flexibility, and ensure continued access to capital markets. In January 2026, Moody's Investors Service affirmed Boston University's long-term rating at Aa3 with a stable outlook, while Standard & Poor's affirmed the University's AA- rating but adjusted the University to a stable outlook to better reflect the overall industry pressures while acknowledging its overall financial strength. The stable outlooks are particularly notable at a time when both agencies have maintained negative outlooks on the higher education sector, citing federal policy actions, demographic pressures, and affordability concerns. The rating agencies have signaled that pressures may compound as multiple sources of funding for research universities face pressure simultaneously with potential reductions in indirect cost recoveries, uncertain reliability of multi-year discretionary funding commitments, lower international enrollments in graduate programs, reduced availability of graduate financial aid through federal programs, and rising inflationary pressures.

Capital Spending

As of June 30, 2026, property, plant, and equipment net totaled $3.3 billion, with accumulated depreciation of $2.7 billion. Depreciation expense was $168 million in fiscal year 2026. Capital spending totaled $309 million in fiscal year 2026 compared with $214 million in fiscal year 2025. In spring 2025, Boston University launched a comprehensive, multi-year renovation of Warren Towers, a transformative three-year project that will modernize one of the University's most iconic student residences. The University has capitalized over $321 million on the Warren Towers project since renovations began.

Over the past decade, the University has invested close to $2.3 billion in capital projects across its campuses, strengthening facilities and supporting academic and research excellence. During fiscal year 2026, BU initiated a campus framework planning exercise to develop a long-term vision for how its campuses should evolve to support the University's academic, research, and student experience goals over the next 25 years. The process has incorporated extensive input from students, faculty, and staff—including a University-wide survey with nearly 3,500 responses—to ensure the resulting framework reflects the needs of the community while remaining aligned with the University's "North Star" vision. Once completed, the framework will guide decision-making around land use, space planning, and facility investment, helping the University prioritize future capital projects with a clear, long-term understanding of what its campuses should look like going forward. Several additional projects are now in development, reflecting BU's continued commitment to advancing its mission.



KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Boston University:

Opinion

We have audited the consolidated financial statements of Boston University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2026 and 2025, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2026 and 2025, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Other Information Included in the Consolidated Financial Report

Management is responsible for the other information included in the consolidated financial report. The other information comprises discussion of financial results but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Boston, Massachusetts
September 16, 2026

June 30, 2026 and 2025
($000)

	2026	2025
ASSETS		
Cash and cash equivalents	$ 849,469	$ 355,929
Cash and cash equivalents-restricted	435,028	261,212
Short-term investments	583,705	874,860
Accounts and loans receivable, net	317,317	376,980
Pledges receivable, net	74,403	108,772
Prepaid expenses and other assets	43,964	50,528
Right-of-use assets-operating leases	69,080	80,582
Long-term investments	4,711,077	4,043,313
Property, plant, and equipment, net	3,270,126	3,116,344
Total assets	$ 10,354,169	$ 9,268,520
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and related expenses	$ 102,505	$ 98,982
Accounts payable and accrued expenses	240,131	243,160
Deferred revenue	105,813	108,729
Student deposits	123,345	112,606
Operating lease obligations	74,247	85,943
Finance lease obligations	62,678	62,892
Other long-term obligations	27,988	29,783
Deferred ground lease revenue	77,526	78,554
Fair value of interest rate exchange agreements	53,520	62,572
Bonds and notes payable, net	2,428,178	2,032,897
Total liabilities	3,295,931	2,916,118
Net assets:		
Without donor restrictions	4,168,605	3,865,753
With donor restrictions	2,889,633	2,486,649
Total net assets	7,058,238	6,352,402
Total liabilities and net assets	$ 10,354,169	$ 9,268,520

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2026 and 2025
($000)

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Student tuition and fees, net of student aid of $703.3 million	$ 1,390,316	$ -	$ 1,390,316
Sponsored programs-direct	449,928	-	449,928
Sponsored programs-indirect	125,459	-	125,459
External fringe benefit recoveries	74,455	-	74,455
Contributions	72,212	-	72,212
Sales and services	104,947	-	104,947
Spending formula amount and other investment income	165,572	-	165,572
Sponsored program income for student aid	16,614	-	16,614
Auxiliary enterprises, net of student aid of $39.4 million	316,067	-	316,067
Contributions used for operations	12,488	-	12,488
Total operating revenues	2,728,058	-	2,728,058
OPERATING EXPENSES			
Salaries and wages	1,219,480	-	1,219,480
Employee benefits	400,994	-	400,994
Supplies and services	740,265	-	740,265
Utilities, rent, and repairs	118,210	-	118,210
Depreciation	167,950	-	167,950
Interest	77,112	-	77,112
Total operating expenses	2,724,011	-	2,724,011
Change in net assets from operating activities	4,047	-	4,047
NONOPERATING ACTIVITIES			
Contributions	-	19,843	19,843
Contributions used for operations	-	(12,488)	(12,488)
Reinvested endowment and other investment income	31,324	22,696	54,020
Net realized and unrealized gains on investments and other assets	339,440	455,695	795,135
Spending formula amount	(59,705)	(82,221)	(141,926)
Net realized and unrealized losses on interest rate exchange agreements	(3,340)	-	(3,340)
Net assets released from restrictions-building funds and other	1,004	(1,004)	-
Other additions and transfers, net	(9,918)	463	(9,455)
Net nonoperating activities	298,805	402,984	701,789
Change in net assets	302,852	402,984	705,836
Beginning net assets	3,865,753	2,486,649	6,352,402
Ending net assets	$ 4,168,605	$ 2,889,633	$ 7,058,238

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2026 and 2025
($000)

2025 Without Donor Restrictions	2025 With Donor Restrictions	2025 Total	
			OPERATING REVENUES
$ 1,391,328	$ -	$ 1,391,328	Student tuition and fees, net of student aid of $683.7 million
504,812	-	504,812	Sponsored programs-direct
135,735	-	135,735	Sponsored programs-indirect
70,102	-	70,102	External fringe benefit recoveries
55,157	-	55,157	Contributions
108,208	-	108,208	Sales and services
153,240	-	153,240	Spending formula amount and other investment income
17,576	-	17,576	Sponsored program income for student aid
313,552	-	313,552	Auxiliary enterprises, net of student aid of $37.3 million
18,336	-	18,336	Contributions used for operations
2,768,046	-	2,768,046	**Total operating revenues**
			OPERATING EXPENSES
1,238,476	-	1,238,476	Salaries and wages
389,796	-	389,796	Employee benefits
736,346	-	736,346	Supplies and services
112,844	-	112,844	Utilities, rent, and repairs
160,697	-	160,697	Depreciation
81,689	-	81,689	Interest
2,719,848	-	2,719,848	**Total operating expenses**
48,198	-	48,198	**Change in net assets from operating activities**
			NONOPERATING ACTIVITIES
-	21,917	21,917	Contributions
-	(18,336)	(18,336)	Contributions used for operations
30,525	20,801	51,326	Reinvested endowment and other investment income
161,663	260,816	422,479	Net realized and unrealized gains on investments and other assets
(53,362)	(74,737)	(128,099)	Spending formula amount
6,457	-	6,457	Net realized and unrealized gains on interest rate exchange agreements
4,074	(4,074)	-	Net assets released from restrictions-building funds and other
15,833	(24,219)	(8,386)	Other additions and transfers, net
165,190	182,168	347,358	**Net nonoperating activities**
213,388	182,168	395,556	**Change in net assets**
3,652,365	2,304,481	5,956,846	Beginning net assets
$ 3,865,753	$ 2,486,649	$ 6,352,402	**Ending net assets**

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2026 and 2025
($000)

	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 705,836	$ 395,556
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	167,950	160,697
Amortization of debt premium and issuance costs, net	(5,728)	(3,123)
Amortization of right-of-use assets-financing	1,207	1,207
Amortization of right-of-use assets-operating	14,276	13,864
Losses on disposal of property and equipment	4,135	2,707
Unrealized gains on interest rate exchange agreements	(4,539)	(10,356)
Settlements on swap replacement transactions, net	3,988	3,372
Net realized and unrealized gains on investments	(809,697)	(448,544)
Contributions and pledge payments restricted for long-term investment	(48,956)	(64,109)
Restricted gifts of securities	(5,355)	(4,161)
Unrealized (gain) losses on currency exchange	(356)	1,022
Gain from extinguishment of debt	-	(19,294)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and loans receivable, net	16,798	(14,949)
Decrease in pledges receivable, net	34,369	45,558
Decrease in prepaid expenses and other assets	6,564	1,228
Increase (decrease) in accrued payroll and related expenses	3,523	(1,263)
(Decrease) increase in accounts payable and accrued expenses	(44,019)	44,686
Decrease in operating lease obligations	(14,470)	(13,730)
(Decrease) increase in deferred revenue	(2,916)	11,844
Increase in student deposits	10,739	14,679
Decrease in other long-term obligations	(2,310)	(3,513)
Decrease in deferred ground lease revenue	(1,028)	(1,028)
Net cash provided by operating activities	30,011	112,350
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,541,394)	(2,204,791)
Proceeds from sales and maturities of investments	3,035,882	2,336,720
Purchases of property and equipment	(309,031)	(214,213)
Proceeds from residual asset note	-	6,290
Net cash provided by (used in) investing activities	185,457	(75,994)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bonds and notes	360,000	769,085
Bond premium received	54,200	50,318
Payment of bonds, notes, and mortgages	(8,930)	(484,511)
Payment of bond issuance costs	(3,905)	(1,126)
Payment for finance lease obligations	(214)	(203)
Payment of swap termination fees	-	(42,627)
Increase in other long-term liabilities-annuity obligations	515	62
Contributions and pledge payments restricted for long-term investment	48,956	64,109
Proceeds from sale of restricted gifts of securities	5,254	3,314
Settlements on swap replacement transactions, net	(3,988)	(3,372)
Net cash provided by financing activities	451,888	355,049
Net increase in cash, cash equivalents, and restricted cash	667,356	391,405
Cash, cash equivalents, and restricted cash beginning of year	617,141	225,736
Cash, cash equivalents, and restricted cash end of year	$ 1,284,497	$ 617,141

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization:
Boston University (the University) is an independent, nonprofit, coeducational, nonsectarian institute of higher education, founded in 1839 and chartered under the laws of the Commonwealth of Massachusetts on May 26, 1869. The University has three principal campuses: the Charles River Campus in the Back Bay, the Fenway Campus in Boston, and the Medical Campus in the South End, offering students more than 300 areas of study in 17 schools and colleges.

Summary of Significant Accounting Policies:

Basis of Presentation:
The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

The consolidated financial statements include the University and its wholly owned subsidiaries. All significant inter-company transactions and accounts have been eliminated.

Boston Medical Center (BMC) is the primary teaching affiliate of the Boston University Chobanian & Avedisian School of Medicine. BMC is a separately governed legal entity organized as a 501(c)(3) and is not consolidated in the accompanying consolidated financial statements.

Effective July 1, 1996, the University entered into a support agreement with BMC, which was formed from the merger of Boston City Hospital and Boston University Medical Center Hospital. The University agreed to continue its support of clinical department operations at a level of support proportionately consistent to what was provided before the merger. Established in 1994, the Faculty Practice Foundation (FPF), also known as the Boston University Medical Group, is an integrated, multispecialty, academic group practice with 18 clinical departments that collectively employ over 1,100 physicians, non-physician clinicians, educators, and researchers. This nonprofit foundation was established to exclusively benefit the University, BMC, and the FPF's affiliated members and designed to improve the health of all, by leading through innovation and collaboration in patient care, education, and research; and to promote the professional and personal well-being of its physicians and other providers. The members of the FPF have faculty appointments at Boston University Chobanian & Avedisian School of Medicine or with the Boston University Henry M. Goldman School of Dental Medicine, and focus on clinical care, research, and teaching at BMC and Boston University Chobanian & Avedisian School of Medicine.

The University's financial support to BMC for the years ended June 30, 2026 and 2025 was $8,772 and $9,240 respectively, and is reflected in the operating expenses of the University.

Net Asset Classification:
Net assets, revenues, and investment returns are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

- Net assets without donor restrictions are not subject to donor stipulations restricting their use, but may be designated for a specific purpose by the University or may be limited by contractual agreements with outside parties.
- Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Net assets with donor restrictions that expire by the passage of time totaled $1,696,067 and $1,326,970 as of June 30, 2026 and 2025, respectively. Net assets with perpetual donor restrictions totaled $1,193,566 and $1,159,679 as of June 30, 2026 and 2025, respectively.

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The composition of net assets as of June 30, 2026 and 2025 is as follows:

	2026		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
General purpose	$ 1,534,384	$ 656,095	$ 2,190,479
Scholarships	178,497	914,469	1,092,966
Professorships	185,225	745,328	930,553
Awards, prizes, fellowships, and other	44,837	212,203	257,040
Research	31,849	154,225	186,074
Annuities	-	25,434	25,434
Total endowment and annuity funds	1,974,792	2,707,754	4,682,546
Other funds:			
General and plant funds	1,887,203	-	1,887,203
Building and gift funds	147,566	24,096	171,662
Pledges	-	74,403	74,403
Student loan funds	24,496	32,010	56,506
Unexpended endowment distributions	134,548	51,370	185,918
Total other funds	2,193,813	181,879	2,375,692
Total net assets	$ 4,168,605	$ 2,889,633	$ 7,058,238

	2025		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
General purpose	$ 1,319,979	$ 526,285	$ 1,846,264
Scholarships	151,743	770,792	922,535
Professorships	149,857	628,290	778,147
Awards, prizes, fellowships, and other	38,620	177,779	216,399
Research	27,103	159,587	186,690
Annuities	-	24,569	24,569
Total endowment and annuity funds	1,687,302	2,287,302	3,974,604
Other funds:			
General and plant funds	1,885,708	-	1,885,708
Building and gift funds	138,160	14,423	152,583
Pledges	-	108,772	108,772
Student loan funds	23,723	32,556	56,279
Unexpended endowment distributions	130,860	43,596	174,456
Total other funds	2,178,451	199,347	2,377,798
Total net assets	$ 3,865,753	$ 2,486,649	$ 6,352,402

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Collections:
The University's collections, acquired through purchases and contributions since the University's inception, are not recognized as assets on the Consolidated Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired.

The University's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed regularly. The collections are subject to a policy that requires proceeds from dispositions to be used to acquire and maintain other items for collections.

Use of Estimates:
The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

Related Party Transactions:
Under the University's conflict of interest policy, all business and financial relationships among the University and entities affiliated with Trustees or Officers of the University are subject to the review and approval of the Audit and Risk Committee of the Board of Trustees. Disclosures about the University's related party transactions, including those with affiliates, are described in notes 1, 3, and 10 to the consolidated financial statements.

Cash and Cash Equivalents:
Cash equivalents consist primarily of short-term money market mutual funds and treasury bills with original maturities of 90 days or less.

Cash and cash equivalents-restricted includes funds held by the trustees associated with the Massachusetts Development Finance Agency (MDFA) Bond Issue Series 2025A and Series 2026A of $426,200 as of June 30, 2026 and with Series 2025A of $254,866 as of June 30, 2025 and will be drawn down to fund the Warren Towers construction project.

The following table summarizes cash, cash equivalents, and restricted cash reported on the statement of cash flows as of June 30, 2026 and 2025:

	2026	2025
Cash and cash equivalents	$ 849,469	$ 355,929
Cash and cash equivalents-restricted	435,028	261,212
Total cash, cash equivalents, and restricted cash	$ 1,284,497	$ 617,141

Fair Value Measurements:
Investments and interest rate exchange agreements are reported at fair value in the University's consolidated financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1—quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2—observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3—unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The majority of the University's long-term investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Fair values of investments in funds similar to mutual funds that are deemed to have readily determinable fair value, are measured at published NAV.

The NAVs or their equivalents, as estimated and reported by the general partners or investment managers, are reviewed, monitored, and evaluated by the University's Investment Office, in accordance with valuation procedures established by the University's Investment Committee, the Chief Investment Officer, and the Senior Vice President, CFO, and Treasurer.

Valuation results, changes in valuation policies and procedures, and issues regarding valuation that may arise from time to time are reviewed in the same manner.

Non-core institutional real estate is valued using one or more of the following valuation techniques: the use of prices and other information generated by other relevant market transactions, or an income approach determining valuation by direct capitalization of net income or discounting future cash flows. Inputs such as capitalization rates, price information, operating statistics, specific and broad credit data, recent transactions, discount rates, and other factors are used in the valuation calculations.

Funds Held in Trust by Others:
The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The University's interests are reported at estimated fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. These assets are categorized in Level 3 of the hierarchy. Income distributions from these trusts are recorded as investment income for current operations.

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included in investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University, and liabilities are recorded at the present value of estimated future payments to the donors and beneficiaries. The liabilities are adjusted during the term of the agreements and contracts to reflect actuarial gains and losses.

The present values of the estimated future cash receipts from charitable remainder trusts are recognized as assets and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as investment income, and the carrying value of the assets is adjusted for changes in estimates of future receipts.

Property, Plant, and Equipment:
Property, plant, and equipment are reported at cost or estimated fair value at the date of contribution. Maintenance and repairs are expensed as incurred and improvements that increase the useful life of the asset are capitalized. Costs associated with the construction of new facilities are reported as additions to construction in progress when expended until such projects are completed. Equipment includes general and scientific equipment, computers, furniture, and vehicles.

For the years ended June 30, 2026 and 2025, the University acquired equipment and other assets of approximately $3,933 and $7,287, respectively, through the use of federal funds. In most cases, the University continues to maintain the assets after the granting agreement expires.

Depreciation is computed on a straight-line basis over the remaining useful lives of assets as follows: buildings, 50 years; renovations and improvements, 20 years or lease term, if shorter; University buildings used in sponsored research activities, 12 to 50 years, based on the distinct useful lives for each major building component; equipment, 2 to 20 years; internally used software, 20 years; and library books, 10 years. Depreciation expense for the years ended June 30, 2026 and 2025 was $167,950 and $160,697, respectively.

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, the impairment loss recognized is the amount by which the asset's net carrying value exceeds its estimated fair value.

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Leasing:
The University determines if an arrangement is a lease at inception. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases as a lessee are included in right-of-use assets-operating leases and operating lease obligations in the Consolidated Statements of Financial Position. Finance leases as a lessee are included in property, plant, and equipment and finance lease obligations in the Consolidated Statements of Financial Position.

Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Rental income arising from operating leases as a lessor is included in operating revenue in auxiliary enterprises in the Consolidated Statements of Activities.

Conditional Asset Retirement Obligations:
The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Consolidated Statements of Activities.

Asset retirement obligations at June 30, 2026 and 2025 were $9,605 and $9,535, respectively, and are included in other long-term obligations in the Consolidated Statements of Financial Position.

Revenue from Contracts with Customers:
Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges.

Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

The composition of net student tuition and fees revenue was as follows for the years ended June 30, 2026 and 2025:

	2026	2025
Undergraduate	$ 844,770	$ 848,074
Graduate and Postgraduate	510,973	510,554
Other	34,573	32,700
Total	$ 1,390,316	$ 1,391,328

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Net auxiliary enterprises revenue consists of the following for the years ended June 30, 2026 and 2025:

	2026	2025
Residence and dining services, net of student aid	$ 247,241	$ 241,852
Arena, parking, and retail operations	68,826	71,700
Total	$ 316,067	$ 313,552

Sales and services include revenues from clinical operations, public broadcasting, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to customers.

Revenue from Sponsored Programs:
Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Grant revenue used for the construction or acquisition of plant is reported within nonoperating activities. The University recognizes reimbursement of facilities and administrative costs relating to government and foundation contracts and grants at authorized rates each year. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position. Total revenue from grants and contracts recognized in net assets without donor restrictions was $592,001 and $658,123 for the years ended June 30, 2026 and 2025, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, and totaled $90,104 and $97,566 as of June 30, 2026 and 2025, respectively. Conditional awards from federal and other sponsors outstanding as of June 30, 2026 and 2025 were $280,791 and $290,608, respectively.

In fiscal year 2025, the University received $47,011 of federal relief through the FEMA and Massachusetts Emergency Management Agency (MEMA). These reimbursements are related to expenses incurred from the University's testing facility and other certain pandemic-related costs.

External Fringe Benefit Recoveries:
External fringe benefit recoveries includes payments from affiliated organizations for the cost of fringe benefits paid by the University under a common paymaster agreement. A portion of the fringe benefit recoveries pertain to a Boston University sponsored defined contribution retirement plan available to all covered FPF employees and practitioners paid under a common paymaster agreement with the FPF's affiliated members. Refer to note 9 to the consolidated financial statements for further details on the University's plan.

Contributions:
Contributions, including unconditional promises to give, are recognized upon receipt at fair value. Contributions other than cash are recorded at fair value at the date of contribution. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as contributions without donor restrictions. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expenditure is incurred that satisfies the restriction or when the designated time elapses. Pledges receivable are carried at estimated net present value, net of allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

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Income Taxes:
The University is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except to the extent the University has unrelated business income. IRC section 512(a)(6), enacted in December 2017 as part of the Tax Cut and Jobs Act, requires tax exempt organizations with multiple sources of unrelated business income to separately compute ("silo") net unrelated business income and losses on an activity by activity basis; for taxable years beginning after December 31, 2017, expenses from one unrelated business activity may no longer be used to offset the income from another. Net operating loss carryforwards beginning July 1, 2018 through June 30, 2026 are $33,598 and may be carried forward indefinitely, but may only be used to offset income from the activity generating the loss. As of June 30, 2026, the University has recorded $1,240 in deferred tax assets as a result of activity generating tax credits, compared with no deferred tax assets as of June 30, 2025. The University has no material uncertain tax positions.

Nonoperating Activities:
Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be received in the future, gains and losses on interest rate exchange agreements, the excess of investment returns over the spending formula amount, and certain other activities.

Supplemental Disclosure of Cash Flow Information:
The following information is intended to supplement the Consolidated Statements of Cash Flows for the years ended June 30, 2026 and 2025:

	2026	2025
Interest paid in cash, net of capitalized interest of $10,624 and $1,231	$ 80,030	$ 80,560
Noncash investing activities:		
Increase in accounts payable for property, plant, and equipment	18,043	14,738
Increase in investments for residual note asset	-	(40)
Increase (decrease) in net purchases of investments for forward foreign currencies	115	(222)
Increase in payables for purchases of investments	18,549	57,391
Decrease (increase) in receivables for sales of investments	42,865	(115,162)
Increase in accounts payable for swap termination payment due	4,513	-

The following table summarizes cash paid for amounts included in the measurement of lease liabilities, under ASC 842, for operating and finance leases as a lessee for the years ended June 30, 2026 and 2025:

	2026	2025
Operating cash flows from finance leases	$ 3,421	$ 3,432
Operating cash flows from operating leases	16,064	15,664
Financing cash flows from finance leases	214	203

Reclassifications:
Certain 2025 balances previously reported in the investments fair value hierarchy table have been reclassified to conform to the 2026 presentation.

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2. Financial Assets and Liquidity Resources

As of June 30, 2026 and 2025, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction costs not financed by debt are as follows:

	2026	2025
Financial assets, at year-end	$ 6,970,999	$ 6,021,066
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor restricted endowment	(2,707,754)	(2,287,302)
Pledges receivable due in greater than one year or restricted for use	(69,808)	(98,766)
Restricted cash and cash equivalents	(435,028)	(261,212)
Student loans receivable due in greater than one year	(27,868)	(27,616)
Board designations:		
Quasi-endowment funds	(1,974,792)	(1,687,302)
Add: approved endowment spending distribution for next fiscal year	156,365	140,939
Financial assets available to meet cash needs for general expenditures within one year	$ 1,912,114	$ 1,799,807

The University's cash flows have seasonal variations attributable primarily to the timing of tuition billing and contributions received. The University has various sources of liquidity including cash and cash equivalents, marketable debt securities, and access to lines of credit with six financial institutions. To manage liquidity, the University maintains a working capital portfolio conservatively invested corresponding to the amounts and duration of projected liquidity needs. Although the University does not intend to spend from board designated endowment funds other than amounts appropriated for operations, the University's quasi-endowment funds, as well as accumulated gains and losses with donor restrictions, could be made available, if necessary, with approval from the Board of Trustees, subject to liquidity of the underlying investments and to the extent allowed by law.

3. Investments

Basis of Reporting:
Investments consist of directly held equity and fixed income securities, registered mutual funds, exchange traded funds, commingled funds, limited partnerships, non-core institutional real estate, and funds held in trust by others. Investments are reported at estimated fair value.

If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. The majority of the University's investments are in shares or units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, which are valued by the investment manager. Private equity funds employ buyout, growth, venture capital, and distressed security strategies.

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Real estate and natural resources funds generally hold interests in private real estate, oil and gas partnerships, and mineral holdings.

The University's interests in commingled investment funds are generally reported at the NAV reported by the fund managers and determined to be reasonable by the University. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2026 and 2025, the University had no plans or intentions to sell investments at amounts different from NAV.

Although the University's alternative fund managers generally adhere to fair value accounting in determining NAV, because of inherent uncertainties in valuation assumptions, the estimated fair values for alternative investments may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, earnings of the underlying holdings, projected cash flows, recent sales prices, and other pertinent information.

The fair value of non-core institutional real estate is based on independent appraisals and broker opinions of value, including recent sales of relevant properties in the same region and in an active market. The determination of whether a real estate market is active is based on the median number of days to sale for properties with a similar geographic location, type, size, condition, and long-term occupancy rate. When independent appraisals or broker opinions of value have not been carried out and where comparable sales information is not available, an income approach is used, with actual rental rates and weighted average capitalization rates of 5.5%. Significant changes in these inputs may result in a significantly lower or higher fair value measurement.

Cash and investments included in the Consolidated Statements of Financial Position at June 30, 2026 and 2025 were as follows:

	2026	2025
Cash and cash equivalents	$ 849,469	$ 355,929
Cash and cash equivalents-restricted	435,028	261,212
Short-term investments	583,705	874,860
Long-term investments	4,711,077	4,043,313
	6,579,279	5,535,314
Less: assets not reported at fair value:		
Real estate partnerships accounted for under the equity method	(9,119)	(9,247)
Total cash and investments at fair value	$ 6,570,160	$ 5,526,067

For the years ended June 30, 2026 and 2025
($000)

The following tables summarize the University's cash and investments in the fair value hierarchy as of June 30, 2026 and 2025:

As of June 30, 2026	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value:					
Cash and cash equivalents	$ -	$ 1,284,497	$ -	$ -	$ 1,284,497
Common and preferred equities:					
Domestic	195,297	162,274	-	-	357,571
International	235,033	104,238	-	-	339,271
	430,330	266,512	-	-	696,842
Fixed income:					
Domestic	-	1,818	587	-	2,405
International	-	-	5	-	5
U.S. government and agencies	-	791,712	-	-	791,712
	-	793,530	592	-	794,122
Alternatives:					
Hedge	1,787,721	-	-	-	1,787,721
Natural resources	43,609	-	-	-	43,609
Private	1,478,114	-	-	333	1,478,447
Real estate	120,260	-	-	349,733	469,993
	3,429,704	-	-	350,066	3,779,770
Funds held in trust by others	-	-	-	14,929	14,929
Total assets at fair value	$ 3,860,034	$ 2,344,539	$ 592	$ 364,995	$ 6,570,160

As of June 30, 2025	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value:					
Cash and cash equivalents	$ -	$ 617,141	$ -	$ -	$ 617,141
Common and preferred equities:					
Domestic	238,083	144,012	-	-	382,095
International	331,034	110,017	-	-	441,051
	569,117	254,029	-	-	823,146
Fixed income:					
Domestic	-	975	1,034	-	2,009
International	-	-	6	-	6
U.S. government and agencies	-	1,048,892	-	-	1,048,892
	-	1,049,867	1,040	-	1,050,907
Alternatives:					
Hedge	1,326,796	-	-	-	1,326,796
Natural resources	39,783	-	-	-	39,783
Private	1,189,787	-	-	333	1,190,120
Real estate	121,697	-	-	342,077	463,774
	2,678,063	-	-	342,410	3,020,473
Funds held in trust by others	-	-	-	14,400	14,400
Total assets at fair value	$ 3,247,180	$ 1,921,037	$ 1,040	$ 356,810	$ 5,526,067

($000)

The following tables present a summary of the University's activity for the years ended June 30, 2026 and 2025 for investments categorized in Level 3:

2026	Alternatives Private	Alternatives Real Estate	Funds Held in Trust by Others	Total Assets in Level 3
Fair value, July 1, 2025	$ 333	$ 342,077	$ 14,400	$ 356,810
Additions	-	6,258	-	6,258
Unrealized gains	-	1,398	529	1,927
Fair value, June 30, 2026	$ 333	$ 349,733	$ 14,929	$ 364,995

2025	Alternatives Private	Alternatives Real Estate	Funds Held in Trust by Others	Total Assets in Level 3
Fair value, July 1, 2024	$ 333	$ 364,928	$ 13,773	$ 379,034
Additions	-	1,914	-	1,914
Unrealized (losses) gains	-	(24,765)	627	(24,138)
Fair value, June 30, 2025	$ 333	$ 342,077	$ 14,400	$ 356,810

Investment Related Derivatives:
The endowment employs certain derivative financial instruments to replicate long asset positions more cost effectively than through purchases or sales of the underlying assets.

As a result of entering investment derivative agreements, the University is subject to market volatility consistent with the underlying asset classes. The University has established policies, procedures, and internal controls governing the use of derivatives.

The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of the FCM's insolvency, recovery may be limited to the University's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. Cash collateral and certain securities owned by the University were held at counterparty brokers to collateralize these positions and are included in cash and cash equivalents-restricted on the Consolidated Statements of Financial Position.

As of June 30, 2026, the aggregate notional exposure on long-term investment assets was $152,925. The associated unrealized loss on these assets was $373 as of June 30, 2026. The associated asset value recorded was $8,360 as of June 30, 2026. As of June 30, 2025, the aggregate notional exposure on long-term investment assets was $90,568. The associated unrealized gain on these assets was $1,689 as of June 30, 2025. The associated asset value recorded was $5,878 as of June 30, 2025.

Real Estate Partnerships:
The University owns a 50% share in a certain University business-related real estate partnership with a related party, which has been accounted for using the equity method. The University's ownership interest in this partnership has been recorded within long-term investments on the Consolidated Statements of Financial Position.

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Investment Return:
The following summarizes the investment return, as reflected in the Consolidated Statements of Activities:

For the year ended June 30, 2026	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	$ 59,239	$ 13,487	$ 72,726
Net realized and unrealized gains on investments and other assets	339,440	455,695	795,135
Total return on investments and other assets	$ 398,679	$ 469,182	$ 867,861

For the year ended June 30, 2025	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	$ 58,182	$ 11,742	$ 69,924
Net realized and unrealized gains on investments and other assets	161,663	260,816	422,479
Total return on investments and other assets	$ 219,845	$ 272,558	$ 492,403

Commitments:
Private equity, natural resources, and real estate investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the University makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity, natural resources, and real estate funds are typically structured with investment periods of 2 to 12 years. Subsequent to the expiration of the investment period, a fund is usually prohibited from calling capital for new investments. The aggregate amount of unfunded commitments associated with private limited partnerships as of June 30, 2026 and 2025 was $574,972 and $553,740, respectively. Of this amount, approximately 22% and 17% of commitments as of June 30, 2026 and 2025, respectively, was for funds whose investment period had expired. The timing and amount of capital calls expected to be exercised in any particular future year is uncertain.

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Liquidity:
Investment liquidity is aggregated below based on redemption or sale period:

As of June 30, 2026	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents*	$1,284,497	$ -	$ -	$ -	$ -	$1,284,497
Common and preferred equities:						
Domestic	160,620	1,654	125,976	58,490	10,831	357,571
International	104,230	175,934	-	3,369	55,738	339,271
	264,850	177,588	125,976	61,859	66,569	696,842
Fixed income:						
Domestic	2,396	9	-	-	-	2,405
International	1	4	-	-	-	5
U.S. government and agencies	791,712	-	-	-	-	791,712
	794,109	13	-	-	-	794,122
Alternatives:						
Hedge	-	148,238	497,537	335,950	805,996	1,787,721
Natural resources	-	-	-	-	43,609	43,609
Private	-	-	-	-	1,478,447	1,478,447
Real estate	-	-	-	347,557	122,436	469,993
	-	148,238	497,537	683,507	2,450,488	3,779,770
Funds held in trust by others	-	-	-	-	14,929	14,929
Total assets at fair value	$2,343,456	$ 325,839	$ 623,513	$ 745,366	$2,531,986	$6,570,160

*Cash and cash equivalents includes $8,360 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short-term rates.

As of June 30, 2025	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents*	$ 617,141	$ -	$ -	$ -	$ -	$ 617,141
Common and preferred equities:						
Domestic	142,778	1,234	116,412	93,982	27,689	382,095
International	110,006	240,534	-	11,329	79,182	441,051
	252,784	241,768	116,412	105,311	106,871	823,146
Fixed income:						
Domestic	1,995	14	-	-	-	2,009
International	1	5	-	-	-	6
U.S. government and agencies	1,048,892	-	-	-	-	1,048,892
	1,050,888	19	-	-	-	1,050,907
Alternatives:						
Hedge	-	-	426,866	318,418	581,512	1,326,796
Natural resources	-	-	-	-	39,783	39,783
Private	-	-	-	-	1,190,120	1,190,120
Real estate	-	-	-	339,901	123,873	463,774
	-	-	426,866	658,319	1,935,288	3,020,473
Funds held in trust by others	-	-	-	-	14,400	14,400
Total assets at fair value	$1,920,813	$ 241,787	$ 543,278	$ 763,630	$2,056,559	$5,526,067

*Cash and cash equivalents includes $5,878 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short-term rates.

Certain hedge funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

The University has sole discretion to liquidate its direct holdings in non-core real estate included in the table above. These assets are predominantly located in the greater Boston market. Relevant market assumptions have been incorporated where applicable, determining the fair values of such assets involves significant judgment, and their ultimate sales price may be materially different than the values reported.

Investments in the ">1 Year" category include non-redeemable assets totaling \$2,017,249 and \$1,506,281, as well as investments with rolling lockup periods totaling \$514,737 and \$550,278 as of June 30, 2026 and 2025, respectively.

4. Endowment Funds

Total endowment assets as of June 30, 2026 and 2025 are \$4,697,822 and \$4,045,503, respectively. A pooled endowment fund is included as part of the University's investments. The amounts distributed from the investment return of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution amount is established annually and is between 3% and 5% of the market value per share as of the most recent December 31. The actual distribution amount is recommended by management and approved by the Trustee Executive Committee. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings. Income attributable to shares from new donor-restricted and institution designated endowment funds during the first six months after establishment is not spent; such income is included in net assets without donor restrictions or with donor restrictions, depending on the nature of the endowment fund. For the fiscal years ended June 30, 2026 and 2025, the distribution as a percentage of the prior December 31 fair value of the pooled endowment fund were both 3.8%.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as net assets with donor restrictions (a) the original value of contributions donated to the permanent endowment, (b) the original value of subsequent contributions to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Original gift amounts consist of donor restricted gifts to the University's endowment to be held in perpetuity as well as gifts held in the endowment subject to donor time and purpose restrictions. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration, preservation, and purpose of the fund

(2) General economic conditions, including inflation and deflation

(3) The investment policies, including expected total return of investments

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The University has investment and spending policies for its endowment and similar funds that emphasize long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn inflation-adjusted long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University targets a diversified asset allocation of U.S. treasury bills, common and preferred equities, fixed income, hedge funds, natural resources, private equity, and real estate. The portfolio is expected to produce risk-adjusted returns that exceed the policy benchmarks, a blended rate of indices.

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

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (losses)	Total with Donor Restrictions	Total
Quasi	$ 1,974,792	$ -	$ -	$ -	$1,974,792
Donor restricted:					
Underwater funds	-	124,332	(8,632)	115,700	115,700
All other funds	-	990,839	1,601,215	2,592,054	2,592,054
Endowment net assets at end of year	$ 1,974,792	$1,115,171	$ 1,592,583	$ 2,707,754	$4,682,546

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 1,687,302	$ 2,287,302	$ 3,974,604
Reinvested income distribution	16,592	2,444	19,036
Realized and unrealized gains	344,429	468,674	813,103
Less: spending formula	(59,705)	(82,221)	(141,926)
Undistributed investment income	301,316	388,897	690,213
Contributions	3,753	26,059	29,812
Pledge payments	69	12,692	12,761
Other additions, transfers, and net asset reclassifications	(17,648)	(7,196)	(24,844)
Endowment net assets at end of year	$ 1,974,792	$ 2,707,754	$ 4,682,546

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

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (losses)	Total with Donor Restrictions	Total
Quasi	$ 1,687,302	$ -	$ -	$ -	$ 1,687,302
Donor restricted:					
Underwater funds	-	122,599	(8,497)	114,102	114,102
All other funds	-	939,616	1,233,584	2,173,200	2,173,200
Endowment net assets at end of year	$ 1,687,302	$1,062,215	$ 1,225,087	$ 2,287,302	$ 3,974,604

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 1,489,064	$ 2,039,560	$ 3,528,624
Reinvested income distribution	15,447	2,425	17,872
Realized and unrealized gains	194,293	271,983	466,276
Less: spending formula	(53,362)	(74,737)	(128,099)
Undistributed investment income	156,378	199,671	356,049
Contributions	3,426	23,818	27,244
Pledge payments	105	24,898	25,003
Other additions, transfers, and net asset reclassifications	38,329	(645)	37,684
Endowment net assets at end of year	$ 1,687,302	$ 2,287,302	$ 3,974,604

($000)

5. Accounts Receivable and Pledges Receivable

Accounts Receivable:

Accounts and loans receivable at June 30, 2026 and 2025 consist of the following:

	2026	2025
Accounts receivable, net:		
Students	$ 50,664	$ 45,301
Less: allowances	(6,844)	(5,250)
	43,820	40,051
Grants and contracts	98,985	115,780
Unsettled investment trades	86,936	129,801
Departmental sales, services, and other	67,542	68,611
Less: allowances	(9,349)	(8,174)
	244,114	306,018
Student loans	32,904	34,271
Less: allowances	(3,521)	(3,360)
	29,383	30,911
Total accounts and loans receivable, net	$ 317,317	$ 376,980

Federally sponsored student loans receivable represented $5,901 and $7,828 as of June 30, 2026 and 2025, respectively, of total student loans receivable, which consist of amounts due from current and former students under various federal government loan programs, including Perkins and health professional programs offered to graduate and undergraduate students. The University's advances under Perkins and other federally funded student loan programs were $10,346 and $12,255 as of June 30, 2026 and 2025, respectively, and are included in other long-term obligations on the Consolidated Statements of Financial Position. The University has the right to assign loans disbursed under these programs to the federal government upon default by the borrower; therefore, no allowance has been provided for these loans.

Departmental sales, services, and other receivables include outstanding notes and mortgages bearing interest at rates up to 4.77% at June 30, 2026 and 2025 to certain employees. The aggregate amount as of June 30, 2026 and 2025 is $11,032 and $11,238, respectively.

Pledges Receivable:

Pledges consist of unconditional written promises by donors to contribute to the University in the future. At June 30, 2026 and 2025, pledges are expected to be realized in the following time frame:

	2026	2025
In one year or less	$ 12,650	$ 20,065
Between one year and five years	83,374	91,654
More than five years	87,475	88,204
	183,499	199,923
Discount to present value (at rates ranging from 1.29% to 5.44%)	(34,949)	(38,502)
Less: allowance for unfulfilled pledges	(74,147)	(52,649)
Total pledges receivable, net	$ 74,403	$ 108,772

As of June 30, 2026 and 2025, more than 70% of the University's gross pledges receivable was concentrated among two and three donors, respectively.

($000)

6. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation and amortization of right-of-use assets at June 30, 2026 and 2025 consist of the following:

	2026	2025
Land	$ 237,734	$ 237,761
Buildings and improvements	4,540,214	4,382,022
Construction in progress	437,227	289,686
Software	100,851	99,220
Equipment	407,963	415,372
Library books	297,091	296,672
	6,021,080	5,720,733
Less: accumulated depreciation	(2,717,086)	(2,571,728)
Less: amortization of right-of-use assets	(33,868)	(32,661)
Total property, plant, and equipment, net	$ 3,270,126	$ 3,116,344

As of June 30, 2026 and 2025, gross land, buildings, improvements, and equipment both included $79,266 related to equipment and office, research, and retail space under finance leases.

7. Other Long-Term Obligations

Other long-term obligations at June 30, 2026 and 2025 were as follows:

	2026	2025
Federal loan advances	$ 10,346	$ 12,255
Conditional asset retirement obligations	9,605	9,535
Annuities and split-interest agreements payable	6,854	6,339
Other	1,183	1,654
Total other long-term obligations	$ 27,988	$ 29,783

($000)

8. Indebtedness

Bonds and Notes Payable:
The principal amounts of bonds and notes payable at June 30, 2026 and 2025 are summarized in the table below. Tax exempt and certain taxable bonds were issued through the MDFA and through the Massachusetts Health and Educational Facilities Authority (HEFA) prior to its merger with MDFA.

	Final Bond Maturity	Interest Rate at June 30, 2026	Interest Rate at June 30, 2025	Outstanding Principal 2026	Outstanding Principal 2025
Fixed rate bonds and notes payable:					
MDFA Series P, blended fixed rate	05/15/2059	5.63%	5.63%	$ 98,610	$ 99,325
MDFA Series W (taxable)	10/01/2045	5.20%	5.20%	100,470	100,470
MDFA Series X	10/01/2048	4.00%	4.00%	25,000	25,000
MDFA Series BB-1	10/01/2046	4.54%	4.54%	111,270	111,270
MDFA Series BB-2	10/01/2040	3.95%	3.95%	52,260	52,260
MDFA Series BB-3	10/01/2029	5.00%	5.00%	38,290	38,290
Series CC (taxable)	10/01/2048	4.06%	4.06%	101,238	101,238
Series EE (taxable)	10/01/2050	3.17%	3.17%	150,000	150,000
Series EE (taxable)	10/01/2035	2.58%	2.58%	50,000	50,000
Century notes (taxable)	07/15/2097	7.63%	7.63%	100,000	100,000
MDFA Series FF, blended fixed rate	10/01/2048	4.82%	4.83%	140,705	145,135
MDFA Series GG	10/01/2042	5.00%	5.00%	50,370	50,370
MDFA Series 2025B-1	10/01/2040	5.00%	5.00%	284,285	284,285
MDFA Series 2025B-2, blended fixed rate	10/01/2048	4.64%	4.64%	184,800	184,800
MDFA Series 2026A-1	10/01/2036	5.00%	N/A	210,000	-
Total fixed rate bonds and notes payable				1,697,298	1,492,443
Variable rate bonds and notes payable:					
HEFA Series N (taxable)	10/01/2034	3.78%	5.35%	19,490	20,640
MDFA Series U-1	10/01/2040	2.79%	2.18%	50,000	50,000
MDFA Series U-6A	10/01/2042	3.13%	2.38%	62,850	62,850
MDFA Series U-6C	10/01/2042	2.75%	3.40%	52,545	52,545
MDFA Series U-6E	10/01/2042	2.80%	3.60%	62,695	62,695
Royal Bank of Scotland (taxable)	08/15/2029	4.33%	5.77%	9,339	12,330
MDFA Series 2025A	10/01/2064	2.46%	3.00%	300,000	300,000
MDFA Series 2026A-2	10/01/2065	5.00%	N/A	150,000	-
Total variable rate bonds and notes payable				706,919	561,060
Total bonds and notes payable				2,404,217	2,053,503
Add: unamortized bond premium and discount, net				131,450	83,387
Less: unamortized bond issuance costs				(7,489)	(3,993)
Less: trust assets to refund Century notes				(100,000)	(100,000)
Total bonds and notes payable, net				$ 2,428,178	$2,032,897

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Certain bond and bank obligations are collateralized by a pledge on tuition revenues, and certain other notes payable are collateralized by plant and property with a net carrying value of $35,728 and $36,947 as of June 30, 2026 and 2025, respectively. The University's bank agreements require annual compliance with financial covenants, including a minimum level of debt service coverage and a minimum level of expendable resources relative to debt. The University was in compliance with all debt covenants as of June 30, 2026 and 2025.

Scheduled principal payments on bonds and notes payable are presented in the table below:

Fiscal Year	Scheduled Principal Maturities
2027	$ 23,909
2028	24,256
2029	24,796
2030	21,908
2031	22,905
Thereafter	2,286,443
Total	$ 2,404,217

As of June 30, 2026, the University's debt portfolio includes variable rate demand bonds (VRDBs) of $134,730, Series N, U-6C, and U-6E, that are supported by irrevocable letters of credit (LOCs). The LOCs are provided by a diverse group of financial institutions to secure bond repayment and interest obligations and have various maturity dates between October 2034 and October 2042. In the event that a VRDB cannot be remarketed, the bond may be "put" to the LOC provider, resulting in a loan to the University to fund redemption of the bond. If all outstanding VRDBs had been "put" as of June 30, 2026, aggregate scheduled loan repayments under the VRDB-related LOCs would be as follows: $22,455, $44,910, $44,910, and $22,455 in fiscal years 2027, 2028, 2029, and 2030, respectively. There have been no instances where a bond failed to be remarketed and was put back to the University.

On May 7, 2026, the University issued Series 2026A bonds, which were sold for $360,000 with a premium of $54,200 and issuance costs of $1,987. The bonds are structured with two equal nominal bullet maturities in 2036 and 2065. The Series 2026A-1 was issued with a fixed rate mode interest rate structure whereas Series 2026A-2 was issued with a term rate mode interest rate structure with the initial term through 2033. The proceeds were used to fund the Warren Towers construction project and pay issuance costs, and are reflected in cash and cash equivalents-restricted.

On March 3, 2025, the University sold $284,285 of tax-exempt fixed rate bonds to refinance five series of floating rate bank placements with upcoming mandatory tender dates and terminated all or a portion of six associated swaps. The Series 2025B-1 bonds were structured to match the maturity dates of the existing debt and are callable at par in ten years. Total proceeds were $327,687 consisting of $284,285 in principal and $43,868 in premium offset by $466 in underwriter's discount costs. The proceeds were used to pay issuance costs, refund Series U-1, Series U-2, Series U-3, Series Y, and Series AA with aggregate principal of $297,740, terminate associated swaps for a total of $15,489, and fund future interest of $13,678.

On March 3, 2025, the University repurchased two-thirds of the Series CC bonds for $178,621 based on a fixed spread to treasury resulting in a gain of $20,141. The Series 2025B-2 bonds were sold the next day for $182,030 to purchase the tendered bonds. The total proceeds were $190,947 consisting of $184,800 in principal and a premium of $6,450 offset by $302 in underwriter's discount costs. The 2025B-2 bonds were structured with the same maturities as the Series CC bonds. The remaining proceeds are funding future interest of $8,266 and issuance costs.

On March 10, 2025, the Series 2025A bonds were sold as public market VRDBs in Commercial Paper mode. The total proceeds were $300,000 with issuance costs of $151. The bonds are structured with two equal nominal bullet maturities in 2048 and 2049. The Series was issued with a flexible mode interest rate structure. In the current

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Commercial Paper mode, the bonds are remarketed at fixed rates for periods of time, generally between 1 and 9 months. At the end of each period, the bonds are expected to be remarketed again on a rolling basis. The proceeds were used to fund the Warren Towers construction project and pay issuance costs, and are reflected in cash and cash equivalents-restricted.

Century Bonds:
In June 2020, the University issued Series EE of taxable bonds totaling $200,000, of which $154,444 was deposited into an irrevocable trust for the defeasance of all interest and principal payment obligations of the Century notes. On the call date, the escrow agent will release the final payments due on the Century notes. Trust assets equal to the par value of the Century notes, $100,000, are presented in the University's Consolidated Statements of Financial Position as a contra-liability reduction of bonds and notes payable, net. The remaining trust are included in the University's Consolidated Statements of Financial Position within prepaid expenses and other assets. Any excess earnings not required for escrow payments will be returned to the University. The balance of trust assets remaining as of June 30, 2026 was $112,278.

Bank Lines:
As of June 30, 2026 and 2025, the University maintained committed lines of credit with six financial institutions totaling $400,000. There were no draws or outstanding loans under these lines of credit as of and for the years ended June 30, 2026 and 2025. The current expiration dates for all lines of credit is April 2028. The University plans to renew the lines of credit upon expiration.

Debt-Related Derivatives:
The University has various long-term interest rate exchange agreements to hedge all or a portion of the variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The contracts require the University to pay fixed rate interest in exchange for variable rate interest payments on the respective notional principal amounts. The variable rate payments received are expected to approximate the interest payable on the underlying variable rate debt. Scheduled reductions of the notional amounts under the swap agreements generally match the scheduled amortization of the underlying debt.

Below is a summary of the terms of the University's outstanding debt-related derivatives as of June 30, 2026 and 2025:

Swap	Notional Amount	Fair Value 2026	Fair Value 2025	Effective Date	Termination Date	University Pays	University Receives
Series FF/GG	$ 61,410	$ (210)	$ (525)	10/01/2023	07/01/2028	SIFMA	2.88%
Series N	14,790	501	1,037	10/03/2008	10/01/2027	6.79%	SOFR
Series U1–3	25,000	-	2,889	10/01/2007	10/01/2040	3.94%	69% of SOFR
Series U1–3	25,000	-	3,039	10/03/2008	10/01/2040	4.01%	69% of SOFR
Series U6	59,750	13,001	14,443	07/01/2008	10/01/2042	5.39%	SIFMA - 1-Mo.
Series U6	90,000	20,551	22,329	03/01/2023	10/01/2042	5.44%	SIFMA - 1-Mo.
Series U6	30,000	6,700	7,438	07/01/2008	10/01/2042	5.44%	SIFMA - 1-Mo.
Series U6	59,750	13,288	14,453	03/01/2023	10/01/2042	5.39%	SIFMA - 1-Mo.
Royal Bank of Scotland	9,405	186	399	08/15/2006	08/15/2029	5.645%	3-Mo SONIA +.1193 +45 basis points
Less: credit valuation adjustment		(497)	(2,930)				
Total		$ 53,520	$ 62,572				

SOFR—Secured Overnight Financing Rate
SIFMA—Securities Industry and Financial Markets Association Municipal Swap Index
SONIA—Sterling Overnight Index Average

Series U1-3 interest rate swaps of $50,000 were terminated on June 4, 2026 at a cost of $4,514. Refer to the subsequent event footnote for further details relating to the overall debt refinancing transaction that finalized on July 8, 2026.

Interest rate exchange liabilities are valued using observable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used to validate third-party quotations, the value of the interest rate exchange liability depends upon the contractual terms of, and specific risks inherent in, the instrument, as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, credit curves, assumptions for nonperformance risk, and correlations of such inputs. The fair value of interest rate exchange agreements is categorized within Level 2 of the valuation hierarchy.

In 2026 and 2025, the University's net settlement payments on interest rate exchange agreements were $7,879 and $3,889, respectively. These net settlement costs have been reported in nonoperating activities in net realized and unrealized gains on interest rate agreements on the Consolidated Statements of Activities.

For purposes of the Consolidated Statements of Cash Flows, net settlements under the University's interest rate exchange agreements are generally included in cash flows from operating activities. However, in October 2008, the University elected to terminate its existing interest rate exchange agreements with a subsidiary of Lehman Brothers after that firm's bankruptcy and simultaneously entered replacement agreements with new counterparties who provided cash to facilitate settlement of the existing agreements. Accordingly, future net settlements under various replacement agreements, with a total notional amount of $175,240 at June 30, 2026 and $249,075 at June 30, 2025, are considered financing activities. During 2026 and 2025, respectively, $3,988 and $3,372 of the net settlement payments were classified as cash flows used in financing activities.

The University's interest rate exchange agreements necessarily involve counterparty credit exposure. The counterparties for the University's agreements are a diversified group of major financial institutions that meet the University's criteria for financial stability and creditworthiness. Interest rate exchange agreements provide for two-way collateral posting requirements intended to mitigate credit risk. At June 30, 2026 and 2025, the University was not required to post any collateral. Contractual bilateral collateral posting levels are based on counterparty public debt ratings; current University posting amounts could increase or decrease should the University's credit ratings change. Additionally, interest rate exchange contracts provide for early termination should a counterparty's credit ratings fall below investment grade.

9. Defined Contribution Plan

All employees who work at least 50% of a full-time schedule and have an appointment or an expected assignment duration of at least nine months are eligible to participate in the University's defined contribution benefit plans. The University contributes a specified percentage of eligible employee compensation and matches employee contributions up to 3.00%. Contributions for the year ended June 30, 2026 and 2025 were $108,837 and $105,878, respectively.

($000)

10. Leases

Leases:
The University is committed to minimum annual rent payments under several long-term non-cancellable operating and capital leases for educational and office space through fiscal year 2079.

The components of lease expense are as follows:

	2026	2025
Lease cost:		
Finance lease expense:		
Amortization of right-of-use assets	$ 1,207	$ 1,207
Interest on lease liabilities	3,421	3,432
Operating lease expense	16,774	16,768
Short-term lease expense	11,675	10,525
Total lease expense	$ 33,077	$ 31,932
Other Information:		
Right-of-use assets obtained in exchange for new and amended operating lease liabilities	$ 2,774	$ 796
Weighted-average remaining lease term-finance leases	63 years	64 years
Weighted-average remaining lease term-operating leases	7 years	8 years
Weighted-average discount rate-finance leases	5.44%	5.44%
Weighted-average discount rate-operating leases	2.27%	2.21%

Payments due include options to extend leases that are reasonably certain through fiscal year 2079, and are summarized below as of June 30, 2026:

Fiscal Year	Operating	Finance
2027	$ 15,245	$ 3,635
2028	10,119	3,635
2029	9,536	3,635
2030	7,897	3,635
2031	7,918	3,635
Thereafter	30,112	172,666
	80,827	190,841
Less: amounts representing interest	(6,580)	(128,163)
Total	$ 74,247	$ 62,678

The University is the lessor in several long-term non-cancellable leases for commercial space through fiscal year 2040. Future minimum rental revenue due, excluding from ground leases discussed in note 11, is summarized below as of June 30, 2026:

Fiscal Year	Operating
2027	$ 4,867
2028	3,400
2029	2,577
2030	2,381
2031	2,099
Thereafter	20,853
Total	$ 36,177

($000)

11. Commitments and Contingencies

Deferred Ground Lease Revenue:
In December 2012, in connection with the sale of a non-core asset, the University entered into a 75-year ground agreement to lease the related land to the purchaser of the building. The lease term is through 2087. In connection with this transaction, the University received a prepaid lease payment of $38,625 that will be amortized on a straight-line basis over the term of the lease. For each of the years ended June 30, 2026 and 2025, the University recognized rental revenue of $515 related to the ground lease. The unamortized deferred ground lease revenue as of June 30, 2026 and 2025 is $31,672 and $32,187, respectively.

In connection with the sale of non-core assets, the University entered into multiple 99-year agreements to lease the related land to the purchaser of the buildings. The lease term is through 2115. In connection with this transaction, the University received a prepaid lease payment of $64,000, later reduced by $12,353 in January 2023, that will be amortized on a straight-line basis over the term of the lease. For each of the years ended June 30, 2026 and 2025, the University recognized rental revenue of $513 related to the ground lease. The unamortized deferred rent as of June 30, 2026 and 2025 is $45,854 and $46,367, respectively.

Other:
As of June 30, 2026, the University has commitments of approximately $763,354 related to open construction contracts and capital acquisitions. This amount is expected to be financed from operating cash flows and borrowings.

The University is a defendant in various legal actions arising in the normal course of its operations. Although the final outcomes of such actions cannot currently be determined, the University believes that any resulting liability would not have a material effect on the University's financial position.

The University receives significant funding from federal sources, including student financial aid, research grants, and other sponsored programs. The University continues to monitor and assess new government regulations and actions that may impact the availability, timing, and terms of such funding that could materially affect the University's operations. This assessment includes evaluating the sufficiency of reserves for any federal grant revenue recorded that management deems to be at risk of collection based on recent federal actions.

12. Functional Classification of Expenses

The Consolidated Statements of Activities present expenses by natural classification. The University also summarizes expenses by functional classification. The University's primary program services are instruction and departmental research. Expenses for educational support and auxiliary enterprises are incurred in support of this primary program activity. Operation and maintenance of plant expenses are allocated to program and supporting activities based upon a periodic assessment of facilities usage. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Expenses presented by functional classification for the year ended June 30, 2026 are as follows:

	Instruction and Departmental Research	Educational Support Activities	Sponsored Programs	Institutional Support	Auxiliary Enterprises	Total
Salaries and wages	$ 721,840	$ 117,630	$ 177,852	$ 160,288	$ 41,870	$ 1,219,480
Employee benefits	247,998	40,196	43,238	56,435	13,127	400,994
Supplies and services	169,783	135,268	217,053	86,664	131,497	740,265
Utilities, rent, and repairs	59,446	6,218	5,329	13,263	33,954	118,210
Depreciation	112,236	9,100	6,757	8,628	31,229	167,950
Interest	38,665	295	-	14,869	23,283	77,112
Total operating expenses	$ 1,349,968	$ 308,707	$ 450,229	$ 340,147	$ 274,960	$ 2,724,011

($000)

Expenses presented by functional classification for the year ended June 30, 2025 are as follows:

	Instruction and Departmental Research	Educational Support Activities	Sponsored Programs	Institutional Support	Auxiliary Enterprises	Total
Salaries and wages	$ 734,454	$ 122,054	$ 190,335	$ 149,367	$ 42,266	$ 1,238,476
Employee benefits	239,785	39,680	48,089	49,508	12,734	389,796
Supplies and services	169,158	152,912	204,720	80,216	129,340	736,346
Utilities, rent, and repairs . .	56,606	6,192	4,970	12,137	32,939	112,844
Depreciation.	107,606	8,441	6,932	8,008	29,710	160,697
Interest.	40,746	266	-	15,826	24,851	81,689
Total operating expenses	$ 1,348,355	$ 329,545	$ 455,046	$ 315,062	$ 271,840	$ 2,719,848

13. Subsequent Events

The University has assessed the impact of subsequent events through September 16, 2026, the date the Consolidated Financial Report was issued.

On July 8, 2026, the University issued Series 2026B-1 and 2026B-2, tax-exempt bonds totaling $163,570 and $201,080, respectively. Series 2026B were each issued at a premium, generating proceeds of $183,612 and $220,042, respectively. The Series 2026B-1 bonds mature between fiscal years 2031 and 2047, while the Series 2026B-2 bonds mature between fiscal years 2041 and 2043 have a mandatory put in fiscal year 2032. The two series of bonds were issued at an interest rate of 5% each.

Total proceeds, combined with $6,297 of University funds, were used to pay issuance costs, swap termination payments, and future interest expense with the remaining deposited with bond trustees to call existing bonds. For bonds to be redeemed on July 8, 2026, total proceeds of $228,090 were deposited with a trustee to fund $50,000 of principal for Series U-1, $62,850 of principal for Series U-6A, $52,545 of principal for Series U-6C, and $62,695 of principal for Series U-6E. For bonds redeemed on October 1, 2026, total proceeds of $124,005 were deposited to fund $60,345 of principal for Series BB-1, $42,290 of principal for Series BB-2, $8,865 of principal for Series BB-3, $10,690 of principal for Series FF, and $2,886 of interest across all series. An independent verification agent has confirmed that funds deposited in the trust accounts and the subsequent earnings are sufficient to pay the principal and interest on the bonds, when due.

Lastly, the University fully terminated three fixed payer interest rate swaps, Series U1-3, with notional amounts of $25,000, $12,500, and $12,500, and partially terminated four fixed payer interest rate swaps, Series U6, with notional amounts of $90,000, $59,750, $59,750, and $30,000 as part of the Series 2026B issuance. The three U1-3 swaps were terminated on June 4, 2026, at a cost of $4,514 due on July 8, 2026. The four Series U6 swaps were partially terminated on July 8, 2026, at a cost of $39,418. The remaining notional amounts of the four U6 swaps are $23,077, $15,320, $15,320, and $7,692, respectively.

On August 4, 2026, the University issued Series 2026C, tax-exempt bonds totaling $165,720. Series 2026C was issued at a premium, generating proceeds of $181,160. The Series 2026C bonds mature between fiscal years 2036 and 2046 were issued at an interest rate of 5%.

Total proceeds were used to pay issuance costs, future interest expense, fund various capital projects across campus with the remaining deposited with bond trustees to call existing bonds. For bonds to be redeemed on October 1, 2026, total proceeds of $61,702 were deposited with a trustee to fund $50,925 of principal for Series BB-1, $9,970 of principal for Series BB-2, and $1,175 of interest for both series. An independent verification agent has confirmed that funds deposited in the trust accounts and the subsequent earnings are sufficient to pay the principal and interest on the bonds, when due. To fund capital projects, proceeds of $111,988 were deposited with a trustee in a fund to be reflected in cash and cash equivalents-restricted until project costs are incurred.

In addition, on July 21, 2026, the University terminated the Series N swap with notional of $14,790 and the Royal Bank of Scotland ("RBS") swap with notional of $9,483 at the time of termination. The Series N swap was terminated for a cost of $460 and the RBS swap was terminated for a cost of $153. The University also redeemed additional bonds; $100,470 Series W was redeemed on July 24, 2026, the $9,339 RBS Note was redeemed on July 31, 2026, and $19,490 Series N was redeemed on August 3, 2026.

The University largely eliminated its remaining legacy debt covenants and tuition liens through the Series 2026B and 2026C refinancing transactions, including redeeming several older bond series and conducting a consent solicitation to amend bond documents. Sufficient bondholder consent was obtained for the Series X and CC bonds, leaving only the non-callable BB-3 bonds outstanding until their maturity in 2029, at which point all remaining legacy tuition liens and additional bonds tests are expected to be eliminated.