



HARVARD
UNIVERSITY

Financial Report

FISCAL YEAR 2026

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ON THE COVER

Harvard researchers working together on an electron microscope specimen holder to study quantum materials in a lab at the David E. and Stacey L. Goel Quantum Science and Engineering Building.

Message from the President

I am pleased to submit Harvard University's financial results for fiscal year 2026.

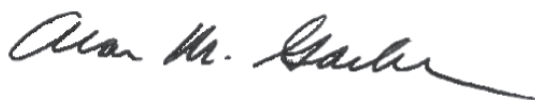
American colleges and universities continue to navigate a shifting landscape. At Harvard, we have risen as a community to meet this moment with intensity and resolve, working to ensure that we will be a stronger and more resilient institution than ever before. As we have confronted complex and consequential challenges, our careful stewardship of financial, intellectual, and human resources, and our commitment to forge ahead to accelerate progress in research, teaching, and learning have helped to ensure that Harvard will not only persevere but thrive.

Each passing month brings new revelations that the pace and scale of discovery are accelerating rapidly. To be true to its past and its mission, Harvard must be at the forefront of the age unfolding now. I am confident that we will be, because I have seen what our community can do. Despite headwinds, Harvard's people continue to be recognized with the highest accolades in academia, from awards, medals, and prizes to coveted fellowships and honorary memberships. The examples of research and teaching included in this report offer just a glimpse of the outstanding work that is done throughout our community every day, work that represents the stunning ambitions, interests, and talents of people who are devoted to the pursuit of knowledge. They are poised, as always, to defend our mission, to overcome obstacles, and to seize opportunities as they appear on the horizon.

Sustained success would elude us if we pursued it alone. We continue to establish and expand collaborations with partners in academia and industry who are eager to collaborate in critical areas of scientific and other research, from AI-powered maps of the brain that deepen our understanding of neurological disease and personalized vaccines that recognize and attack cancer, to better cooling systems, cleaner agricultural practices, and safer ways to store renewable energy. Alumni and friends who share our aspirations continue to support and sustain our activities through generous philanthropy. We are deeply grateful for these votes of confidence in the role that our community will continue to play in improving the wellbeing of countless people and in making the world a better place.

The ten years leading to our 400th anniversary may be among the most consequential in the history of Harvard. Together, we have the opportunity to set the University on a path to excellence that none of us can imagine today. Notwithstanding the challenges and uncertainty, this is a thrilling time to be part of a great American institution devoted to Veritas.

Sincerely,

A handwritten signature in black ink, reading "Alan M. Garber". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Alan M. Garber
PRESIDENT

October 2026

Financial Overview

From the Vice President for Finance and the Treasurer

Fiscal year 2026 put Harvard's financial resilience to an extraordinary test. The abrupt termination of federal research grants in the spring of 2025 had unsettled a research enterprise built over decades—along with the discoveries, treatments and trained scientists it continues to produce. As the year progressed, responding to immediate disruption gave way to the harder work of reshaping operations for a changed environment.

Against that backdrop, Harvard ended fiscal year 2026 with an operating surplus of \$100 million on a \$6.7 billion revenue base—a 1.5% margin. Revenues were largely unchanged, while expenses fell by more than 2%. Salaries and wages, our largest expense category, declined by \$104 million, or 3.8%. A hiring freeze, attrition and restructurings reduced Harvard's workforce.

Those two facts—a surplus, and a smaller community—sit uneasily together. Yet they cannot be separated. Achieving a surplus demanded an extraordinary amount from this community. To the faculty and staff who did this work, we are deeply grateful. To colleagues directly affected by these changes, we owe more than gratitude: our respect, and our recognition of all they contributed to Harvard.

We should be careful not to mistake a positive financial result for an easy success. The 1.5% margin is modest relative to the scale of change across the University, reflecting elevated legal costs along with other pressures that show little sign of abating. It is also the net of two different results: a surplus in restricted funds—gifts and grants that can be spent only as donors and sponsors direct—and a deficit in unrestricted funds, which support general operations. Restricted and unrestricted resources are not interchangeable, which is why the surplus alone is an insufficient measure of Harvard's financial health. The better measure is resilience.

Financial resilience matters because it enables Harvard to absorb shocks and adapt our cost base, while not only protecting but advancing our most essential work—scholars asking consequential questions and students learning how to ask better ones.

The largest of those shocks came in federally sponsored research, where reported revenue declined 20% in fiscal year 2026. That figure understates the contraction in activity because fiscal year 2025 revenues were depressed by the termination of grants that spring. On a comparable basis, federally sponsored research activity fell by roughly one-third. Fewer new awards and slower spending on existing awards drove the decline—the consequence of a longstanding relationship between the federal government and American research universities now called into question.

Harvard nevertheless sustained over \$1.2 billion in research activity. Federal sponsors funded just over \$500 million while non-federal sponsors funded approximately \$300 million; University resources supported the \$400 million balance.

The value of that support is visible in the work itself. This year, Harvard researchers brought quantum computing closer to practical use; traced 10,000 years of natural selection in the human genome through ancient DNA from West Eurasia; identified what may be one of the earliest biological changes associated with Alzheimer's disease; and contributed to the development of a new FDA-approved drug for pancreatic cancer.

Work of this kind begins with faculty imagination and takes shape through rigorous inquiry over years of effort. It depends on resources that remain committed over the long term—from sponsored research, endowment distributions, and philanthropy.

This year, philanthropy was an especially significant source of that support. Gifts received exceeded \$1.5 billion, including over \$640 million for current use—the highest level of current-use giving in the University's history. As the financial model underpinning American research universities changes, our donors' generosity has become more essential than ever. To everyone who includes Harvard among your philanthropic priorities, thank you.

We extend our gratitude to our colleagues at Harvard Management Company, who generated a 27.1% investment return. While markets can easily take back what they give, that return will strengthen the endowment's capacity to support the University over time.

The endowment, now nearly \$68 billion, is sometimes described as though it were wealth held apart from Harvard's work. In practice, it is deeply embedded in that work. The distribution was \$2.6 billion, nearly 40% of the University's operating revenue. More than 80% of that distribution carries donor restrictions—supporting a professorship, a scholarship fund, a laboratory—and cannot be redirected to general operations. The unrestricted remainder is already committed to the ongoing costs of teaching and research; it is not a reserve. The University deliberately smooths distributions so that operating support does not rise and fall with the markets. Strong investment returns therefore support Harvard's work gradually, through future distributions; they neither create immediate flexible resources nor, on their own, resolve structural gaps between recurring revenues and expenses. That is why exceptional investment returns and difficult structural changes can, and did, occur in the same year.

The endowment's impact is evident in the students it enables to attend. The University provided more than \$775 million in financial aid—\$265 million in need-based scholarships to 55% of Harvard College undergraduates, and approximately \$510 million in support for graduate and professional students. Fiscal year 2026 was the first year of Harvard College's expanded aid program, under which students from families earning less than \$100,000 attend for free while those from families earning less than \$200,000 attend tuition-free. In a year of cutting back, the College expanded its commitment to financial aid.

Beginning in fiscal year 2027, endowment resources will face an additional constraint, with the federal excise tax on Harvard's net investment income rising nearly six-fold, from 1.4% to 8%. We estimate the higher rate will cost roughly \$300 million a year. Because the tax applies to realized net investment income, that amount will vary considerably with market performance—in a year of returns like this one, it would be several times larger. The balance sheet now also reflects a \$1.9 billion tax liability, most of it deferred—an accounting estimate of future taxes on unrealized gains. As those gains are realized, the resulting taxes will reduce resources otherwise available to support faculty, students, and academic programs.

The University's balance sheet provides room to manage what comes next. Liquidity remains strong, debt was essentially unchanged, Harvard maintained its Aaa credit rating, and strong endowment performance

increased net assets. These resources allow us to absorb disruption and protect critical priorities; they cannot indefinitely replace the revenue needed to support ongoing teaching and research.

We would like to tell you that the uncertainty of the past two years is behind us. It is not. The trajectory of federal research support, our ability to welcome and retain international students and scholars, and ongoing litigation all remain unsettled, against a volatile geopolitical and economic backdrop. Rapid advances in artificial intelligence are creating new possibilities for research and placing new demands on how we teach. Uncertainty is not an interlude.

Forging ahead through the uncertainty will require financial strength and institutional judgment: knowing what to change and what to preserve, when to recalibrate and when to invest. The work ahead cannot be defined by restraint alone. The University's enduring commitment is to direct its financial capacity to exceptional teaching, consequential research, and the people and ideas that make both possible.

To the faculty, students, and staff who carried Harvard forward through real disruption; to the Deans and unit leaders who made difficult choices quickly and thoughtfully; and to the alumni and friends who provided essential support: thank you. This year's results are yours. Your work protected and propelled Harvard's capacity to teach, to question, to discover—and to put knowledge to work in service of a world that needs it.



Ritu Kalra
VICE PRESIDENT FOR FINANCE AND
CHIEF FINANCIAL OFFICER



Timothy R. Barakett
TREASURER

October 2026

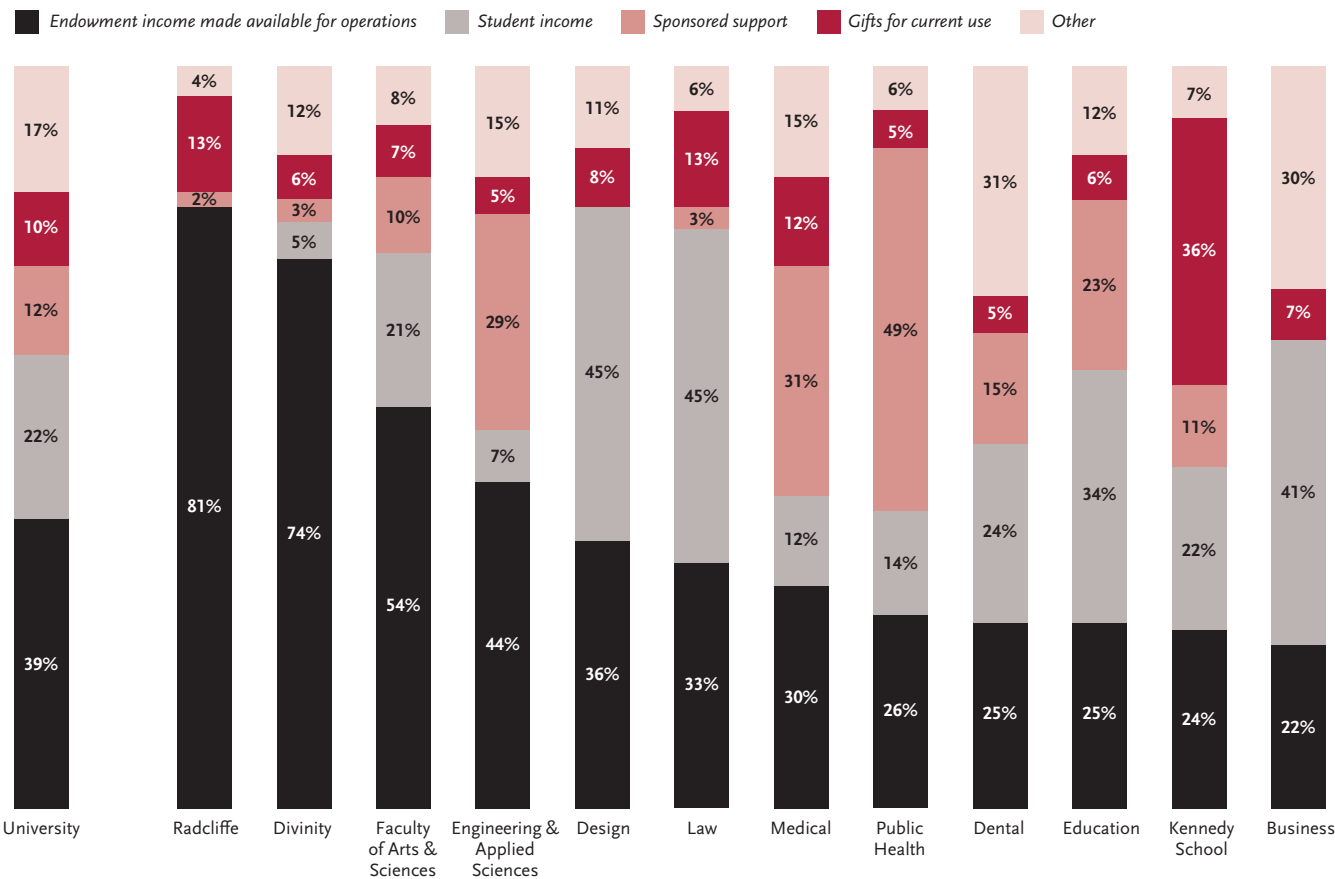
FINANCIAL OVERVIEW

The University ended fiscal year 2026 with an operating surplus of \$100 million on an operating revenue base of \$6.7 billion, representing a 1.5% operating margin. Overall net assets grew to \$82.3 billion, a 19.8% increase from fiscal year 2025.

OPERATING REVENUES

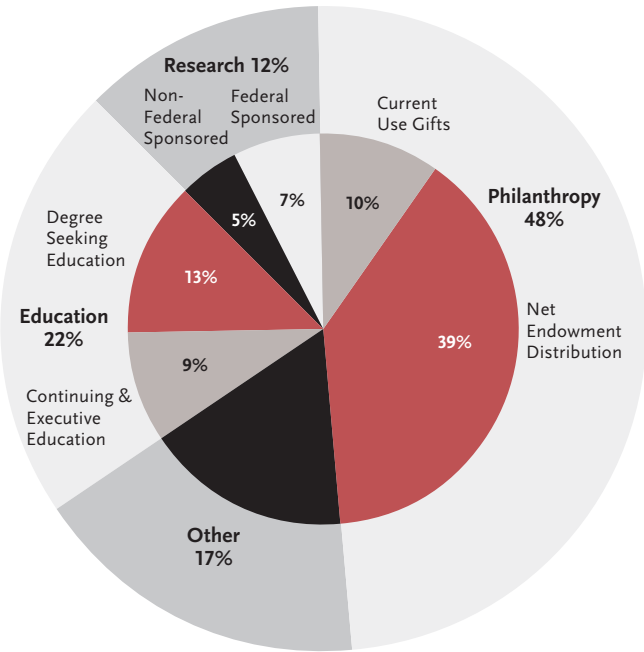
Harvard's revenue structure is both broad and differentiated, reflecting the diverse academic and research missions of its Schools. The revenue profiles of Harvard's many schools and units vary widely, illustrating the complexity of Harvard's financial ecosystem, in which each School's revenue mix reflects its unique mission, scale, and external partnerships. Taken together, these distinct profiles underscore the University's reliance on multiple, complementary revenue streams that sustain its academic enterprise, as depicted in the following chart:

FISCAL YEAR 2026 SOURCES OF OPERATING REVENUE BY SCHOOL



Harvard’s diversified, mission-driven activities rely on three main sources of revenue: education or tuition, sponsored research, and philanthropy, both past and present.

FISCAL YEAR 2026 OPERATING REVENUES



Percentages may not sum due to rounding.

Education

In fiscal year 2026, across its 12 Schools, Harvard enrolled approximately 24,400 degree-seeking students from around the globe, including 7,300 undergraduate students. Education revenue comprised 22% of total revenue, inclusive of tuition, room and board—net of financial aid—for undergraduate, graduate and professional degree-seeking students, as well as professional and lifelong learners.

Harvard is committed to cultivating a community of bright and talented students regardless of their ability to pay. Thanks to robust financial aid programs, in fiscal year 2026, the University extended more than \$775 million to undergraduate and graduate students in the form of financial aid and scholarships.

Harvard College meets 100% of each student’s demonstrated financial need. Approximately 55% of Harvard College students receive need-based scholarships and the average parent contribution is \$14,000 for tuition, fees, housing and food. Since launching the Harvard Financial Aid Initiative in 2004, the College has awarded more than \$3.9 billion in grant aid, and undergraduate financial aid has more than tripled from \$80 million in 2005 to \$265 million in 2026.

For the 2025-2026 academic year, Harvard College expanded its financial aid program: students from families earning less than \$100,000 attend free, while students from families earning less than \$200,000 attend tuition free. As a result, 25% of families pay nothing toward the cost of attendance.

To ensure that students can participate fully in the Harvard experience, financial aid for students from families with incomes of \$100,000 or less also covers expenses such as health insurance, travel between campus and home, winter clothing, event fees and other activities. These students receive a \$2,000 Start-Up Grant in their first year to help cover the initial costs of beginning their studies at Harvard, as well as a \$2,000 Launch Grant in their junior year to support expenses associated with preparing for life after graduation.

Research

Research at Harvard is supported through both external sponsorship and University institutional resources. In fiscal year 2026, Harvard’s research expenditures totaled \$1.2 billion. External sponsors provided \$839 million of this funding, consisting of \$506 million in federal sponsored revenue and \$333 million in non-federal sponsored revenue.

Institutional support makes up the difference and is a critical component of Harvard’s research enterprise. Institutional support reflects the University’s enduring commitment to advancing discovery and innovation, sustaining critical research infrastructure, and supporting faculty and student engagement across disciplines.

Federal sponsored revenue is generally recognized as allowable expenditures are incurred. In fiscal year 2026, federal sponsored revenue declined to \$506 million, compared with \$629 million in fiscal year 2025, a decrease of \$123 million or 19.5%. However, the fiscal year 2025 figure does not reflect \$116 million of revenue tied to federal awards that had been terminated even as spending continued. These previously terminated awards were reinstated in fiscal year 2026, and the \$116 million was recognized as non-operating revenue. As such, spending on federal awards declined more sharply, by 32.1%, reflecting fewer new awards, slower spending on existing awards, and delays in research activities following the suspension and termination of federal grants in spring 2025.

Non-federal sponsored revenue, including support from corporations, foundations, and other non-federal sponsors, was \$333 million in fiscal year 2026, compared with \$345 million in fiscal year 2025. Non-federal sponsored support is an important research funding source but can fluctuate from year to year because many private grants and contracts are project-specific, time-limited, or tied to multi-year award cycles.

Philanthropy

Philanthropy, in all its forms, provides critical support to nearly every facet of the University's mission. Donors often dedicate their gifts to the priorities they value most, such as recruiting faculty, advancing new lines of research, caring for our museums and libraries, and supporting campus life. Gifts directed in this way have built Harvard's financial aid programs, propelled groundbreaking discoveries, and established hundreds of professorships across the University.

Gifts reach Harvard in two principal forms. Gifts for current use are spent in the year they arrive or soon after, meeting immediate needs. Endowed gifts are invested in perpetuity, and a portion of their earnings are distributed each year to the purpose originally selected by donors. Of the more than \$1.5 billion in gifts received in fiscal year 2026, \$684 million was for current use—the highest in the University's history and a 9% increase year-over-year—and more than \$525 million was for the endowment. The remainder supported capital projects, sponsored research, and other designated purposes. Donors also redesignated \$41 million of gifts made in earlier years from current use to the endowment (see *Note 15*),

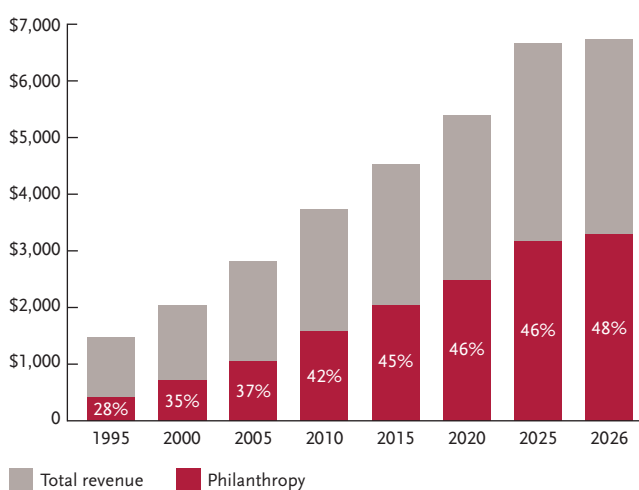
leaving \$643 million in current-use gifts recorded in operating revenue.

Each year a portion of the endowment is paid out as an annual distribution to support operations. Every dollar of that distribution began as a gift—many of them made generations ago, by donors who never met the faculty and students their generosity now supports. In setting the distribution, the University balances two obligations—funding the operating budget with stable and predictable support, and preserving the endowment's purchasing power so it can do the same for generations still to come.

Together, these two forms of giving provided 48% of Harvard's revenue in fiscal year 2026: 39% through the endowment distribution, and 10% from gifts for current use.

PHILANTHROPY AS A PERCENTAGE OF TOTAL REVENUE OVER TIME

In millions of dollars



OPERATING EXPENSES

Harvard's operating expenses fall into three primary categories: compensation for the faculty, staff, and other people who carry out the University's work; the classrooms, laboratories, and other spaces in which that work takes place; and the supplies and services used to advance it. The University's operating expenses decreased by \$152 million or 2% to \$6.6 billion for fiscal year 2026.

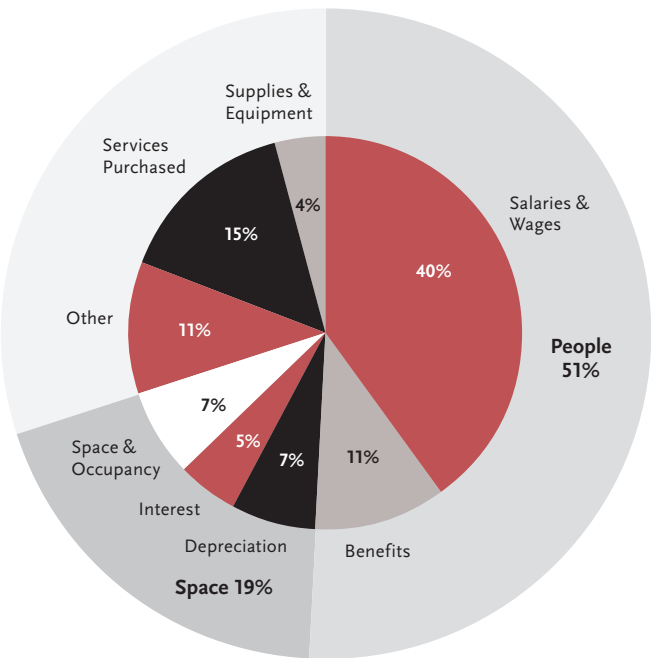
Compensation expenses—including salaries, wages, and employee benefits—accounted for over half of

the University's total operating costs in fiscal year 2026. Salaries and wages decreased by \$104 million, or 3.8%, to \$2.7 billion, reflecting lower headcount due to an ongoing hiring freeze, strategic workforce actions and a wage freeze for the University's non-union employees in fiscal year 2026. Employee benefit expenses decreased by \$18 million, or 2%, to \$737 million as lower headcount reduced the number of employees covered by health plans, muting higher underlying medical and prescription drug costs.

Subcontracted services expense decreased by \$81 million, or 39%, in fiscal year 2026, reflecting the slowdown in federally sponsored research activity. With fewer new federal awards and reduced spending on existing awards, the University engaged fewer collaborating institutions to perform work under sponsored research agreements.

All other expenses, including the cost of supplies and services purchased, increased \$51 million, or 1%. Continued increases in legal costs were partially offset by broader cost-saving initiatives.

FISCAL YEAR 2026 OPERATING EXPENSES

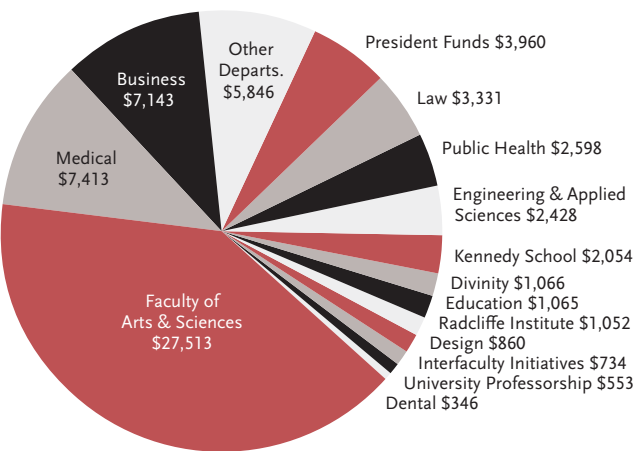


HARVARD'S ENDOWMENT

Harvard's endowment has existed for nearly four centuries and serves as a crucial resource for current and future generations of Harvard students, faculty, and researchers. Comprising approximately 15,000 individual funds, the endowment is designed to support nearly every facet of the University's mission.

MARKET VALUE OF THE ENDOWMENT AS OF JUNE 30, 2026

In millions of dollars



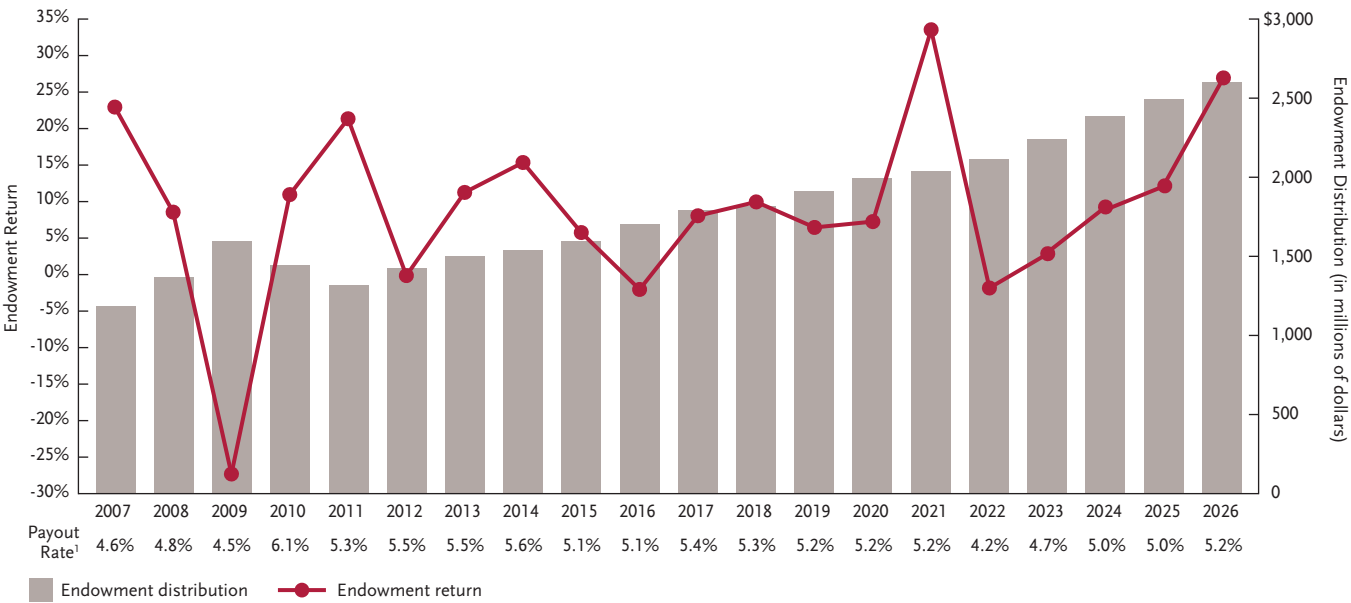
TOTAL MARKET VALUE \$67,962

Guided by the principle of intergenerational equity, Harvard's endowment is carefully managed to ensure that future generations benefit just as much as the current one.

The University's endowment spending practices balance two goals: the need to provide a stable and sufficient distribution to fund the operating budget, and the obligation both legally and to our donors to maintain the long-term value of the endowment in order to preserve its future purchasing power. There is a common misconception that endowments, including Harvard's, can be easily accessed like checking accounts, available for any purpose at any time as long as funds exist. In reality, Harvard's flexibility in spending from the endowment is limited by donor conditions and the principle that endowed funds are designed to last forever, crucial for serving future generations of students and advancing new knowledge.

Harvard is obligated to preserve the endowment's purchasing power by spending only a sustainable portion of its value each year. Spending significantly more than that over time would favor the present at

ENDOWMENT RETURNS MADE AVAILABLE FOR OPERATIONS BY YEAR

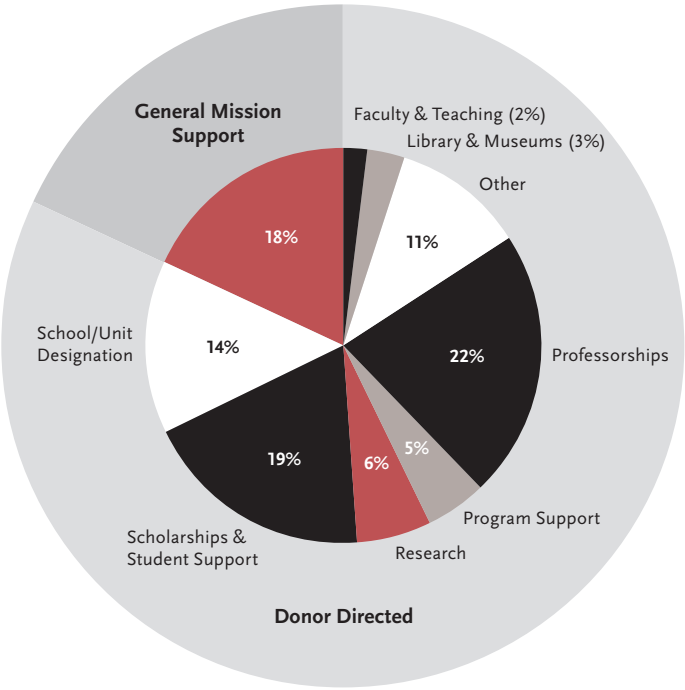


¹ Reflects the aggregate payout rate, inclusive of decapitalizations and net investment income tax. See Note 8 for additional information regarding the endowment distribution policy.

the expense of future generations, undermining the endowment’s fundamental purpose of maintaining intergenerational equity. This critical source of funding distributed \$2.6 billion in the fiscal year ending June 30, 2026—representing 39% of Harvard’s total operating revenue—and is the single largest source of revenue supporting the University. In this way, the endowment bridges the gap between revenue from tuition and research grants and the critical costs associated with the University’s teaching and research activities.

While the endowment is a critical source of funding, more than 80% of its market value is legally restricted under the terms of donor agreements and subject to prudent distribution requirements under the Uniform Prudent Management of Institutional Funds Act (UPMIFA). These restrictions apply both to purpose, with funds designated for specific programs, departments, or activities, and to time, as many endowment gifts must be held in perpetuity in accordance with donor intent. Less than 20% of the endowment generally offers more flexibility, although it is mostly restricted at a high level such as to a particular school or unit. Less than 5% of the endowment is fully unrestricted to support programs across the University. These less restricted funds are essential for general mission support and to advance transformative, strategic initiatives.

ENDOWMENT FLEXIBILITY



Investments

The return on the endowment in fiscal year 2026 was 27.1%. Its value (after the impact of the net investment income tax liability, distributions from the endowment for operations, and the addition of new gifts during the year) stood at \$68 billion, an increase of \$11 billion from \$57 billion at the end of fiscal year 2025. Additional information is available in the Message from the CEO of Harvard Management Company, found later in this report.

The University has a policy of maintaining liquidity outside of the endowment for operating purposes. These cash, cash equivalents and short-term investments totaled \$3.0 billion at June 30, 2026, compared to \$2.4 billion at June 30, 2025 (see *Note 2*).

Tax liabilities

Tax liabilities are \$1.9 billion as of June 30, 2026, increasing \$1.6 billion from the prior year. The increase reflected the remeasurement of Harvard's existing net investment income excise tax obligation following the increase in the federal net investment income excise tax rate from 1.4% to 8%. The liability includes current taxes due and the obligation for accumulated appreciation in the University's investment portfolio that is expected to become taxable as investment gains are realized over time.

Debt

Bonds and notes payable remained relatively unchanged at \$8.3 billion at June 30, 2026, increasing by \$30 million compared to June 30, 2025 as a result of a \$752 million issuance of tax-exempt bonds during fiscal year 2026 primarily to refinance existing tax-exempt debt. The University maintained its AAA rating by S&P Global Ratings and Aaa by Moody's Investor Services.

Fixed assets

The University invested \$969 million in capital expenditures in fiscal year 2026, reflecting continued strategic priorities such as undergraduate and graduate house renewal, addressing deferred maintenance, strategic investment in spaces that accommodate academic programs, and continued development in Allston. The University's investments in Allston are part of a comprehensive, long-term strategy to expand its academic, research, and community infrastructure. The opening of the Enterprise Research Campus (ERC) represented a significant milestone in the broader Allston development during fiscal year 2026. The ERC was developed by a third party on land leased from the University; therefore, the buildings are not owned by the University and are not reported in the University's financial statements.

THE ENDOWMENT TAX AND HIGHER EDUCATION

Harvard's endowment is a collection of thousands of donor gifted funds that together provide enduring support for the University's mission. Its investment returns help fund financial aid and access, sustain faculty and academic programs, and support research and discovery, while disciplined spending allows that support to extend across generations.

The 2025 One Big Beautiful Bill Act substantially increased the federal excise tax on net investment income for certain colleges and universities. For Harvard, the applicable rate will rise from 1.4% to 8%, resulting in an estimated \$300 million in annual tax payments beginning in fiscal year 2027. This

represents resources that otherwise could support the University's mission today or remain invested to support it in the future. The estimated cost of the tax is equivalent to nearly 40% of the financial aid Harvard provides to students each year.

The impact of the tax is substantial, but the purpose of the endowment remains unchanged. In a more constrained financial environment, the resources provided by the endowment are increasingly important to Harvard's ability to expand opportunity, pursue consequential research, and sustain the teaching and discovery that advance knowledge and serve society.

EMPOWERING IDEAS

Ideas begin with curiosity about the world and what is possible. Across Harvard, faculty, students, and researchers ask questions—large and small—that challenge accepted wisdom and open new pathways for discovery.

The University nurtures ideas by investing in talented people, supporting excellence in research and teaching, and bringing together different disciplines and perspectives. With the freedom of open inquiry, faculty, students, and researchers fully explore those ideas through scholarship and collaboration. This work advances fundamental research and expands the frontiers of knowledge. Partnerships with industry

can strengthen this work by accelerating discovery and helping translate discoveries into applications and solutions.

From discoveries that advance human health to new technologies that improve how we live and work, ideas developed at Harvard can transform industries, communities, and lives far beyond campus. However, realizing the impact requires patience and persistence, particularly when answers to the most ambitious questions may be years, or even decades, away. This search for knowledge is enduring and sustaining it across generations is central to Harvard's mission and its capacity to benefit society.

Genuinely hard problems

A new seminar is taking a novel approach to scientific education by challenging first-year students to tackle problems that have stumped scientists despite decades of research. Taught by Jeff Lichtman, the Jeremy R. Knowles Professor of Molecular and Cellular Biology, and Logan McCarty, the associate dean of science education, the course encourages students to think across disciplines and pursue new pathways that could lead to future discoveries.



A discovery decades in the making

Fundamental research by the late Joel Habener, Harvard Medical School professor of medicine emeritus at Massachusetts General Hospital, helped lead to the discovery and characterization of the hormone GLP-1. More than three decades later, collaboration across academic and industry has translated that breakthrough into treatments that are transforming care for obesity, diabetes, and cardiometabolic disorders affecting more than a billion people worldwide.



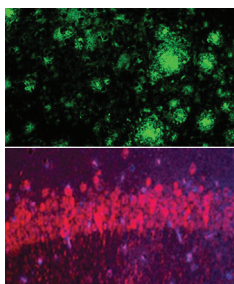
Exploring the origins of life

After years of theoretical exploration, Juan Pérez-Mercader, a senior research fellow in the Department of Earth and Planetary Sciences and Origins of Life Initiative, and a team of Harvard scientists created artificial cell-like systems that mimic essential features of life. Their findings bring scientists a step closer to understanding how life may have emerged from simple chemicals billions of years ago.



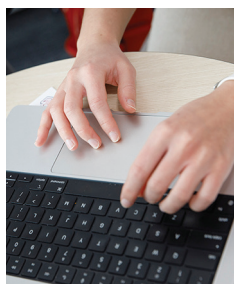
Could lithium explain and treat Alzheimer's disease?

Decades after he first demonstrated that amyloid beta is toxic, Bruce Yankner, professor of genetics and neurology in the Blavatnik Institute at Harvard Medical School, and colleagues found that the loss of lithium in the brain may help drive Alzheimer's disease, and that a lithium compound reversed the disease in a preclinical model. Their findings raise hopes that researchers could one day treat Alzheimer's disease in its entirety rather than focusing on a single facet such as amyloid beta or tau.



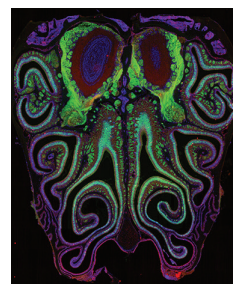
Bringing ethics into technology

Harvard's Embedded EthiCS program, housed at the Edmond & Lily Safra Center for Ethics, takes an interdisciplinary approach to technology education, bringing philosophers directly into computer science courses to examine the ethical questions raised by emerging technologies. By combining technical and humanistic perspectives, the program prepares students to develop ideas and technologies with a deeper understanding of their potential impact on people and society.



Scientists create first ever smell map

Sandeep (Robert) Datta, professor of neurobiology in the Blavatnik Institute at Harvard Medical School, and his team created the first-ever map of where smell receptors sit in the nose in mice. They found that the receptors line up in neat horizontal stripes from the top of the nose to the bottom, a far more orderly layout than scientists had expected. Our basic understanding of smell has lagged behind that of vision, hearing, and touch, and their research provides foundational knowledge needed to develop better therapies for loss of smell.



Harvard Management Company

Message from the Chief Executive Officer

Harvard's endowment generated a 27.1% return in fiscal year 2026 (FY26), bringing its value to \$68.0 billion. This was an exceptional year, at an important moment. Harvard continues to navigate significant challenges, and the strength of this year's investment performance will bolster the endowment's capacity to support the University in the years ahead. The scale of that support is substantial. In FY26, distributions from the endowment totaled \$2.6 billion—nearly 40% of the University's annual operating revenue—sustaining the teaching and discovery at the heart of Harvard's mission.

PURPOSE

The FY26 return far surpassed Harvard's long-term return objective of 8%—balancing annual distributions of approximately 5% (which now must also account for the increased endowment tax which took effect at the start of FY27) against higher education inflation of roughly 3%. Yet a single year is not the right lens through which to judge an endowment, which is designed to sustain support for research and discovery in perpetuity. Over the course of the current management team's nine-year tenure, the portfolio has generated an annualized return of 11.4%. That longer-term record is the more important measure of the endowment's ability to provide stability during challenging periods while preserving purchasing power for generations of students and scholars to come.

As I have noted in the past, universities differ in their reliance on endowed funds, and therefore in the demands they place upon their endowments. Some institutions pursue higher levels of investment risk than others. The design of Harvard's endowment portfolio reflects the distinctive needs of the university it serves. An institution that draws nearly 40% of its operating revenue from the endowment needs that

support to be dependable—steady when other sources are not, and as supportive of students, faculty, and researchers in the next century as it is of the Harvard community on campus today. HMC's obligation is to ensure the endowment can provide this support in years when markets are far less generous.

Our active dialogue with the University's financial leadership has led us to calibrate the portfolio to support resilience across varied market conditions. Our risk appetite will continue to evolve as circumstances require; the current portfolio already reflects certain shifts in recent years, and our ongoing collaboration will ensure that we continue to adapt to the University's immediate and long-term needs.

PERFORMANCE

This past year's performance was driven primarily by three asset classes: venture capital, public equities, and hedge funds. The FY26 returns were also shaped by the portfolio's composition, as we deliberately grew private equity to be the largest part of our portfolio.

Portfolio allocation as of June 30, 2026:

Asset class	Allocation	
Public equities		14%
Hedge funds		29%
Uncorrelated	15%	
Long/short	8%	
Multi-strategy	4%	
Credit	2%	
Private equity		46%
Venture capital and growth venture	31%	
Buyout and growth buyout	15%	
Real estate		4%
Other real assets		2%
Bonds/TIPS		3%
Cash		2%
ENDOWMENT		100%

While we are proud of the return itself, the alpha generation—the value to the endowment we have added above relevant market benchmarks—has been particularly gratifying, as it has been consistently strong across asset classes. This reflects well on the strategy we adopted years ago to transition to a generalist investment team model. By developing a rigorous process for assessing the value and risk of both new and existing investments, we have strengthened the capabilities of the entire management team—and we are reassured to see that strength reflected in this fiscal year’s results across the portfolio.

Even so, we proceed with caution. Outsized returns can sometimes portend subdued, or even negative, returns in the near term. This is in no way a market prediction; it is a simple acknowledgment of historical market patterns that we must bear in mind when assessing the risk level and composition of the portfolio.

UNFUNDED COMMITMENTS

Private investments were a meaningful contributor to performance in FY26 and over the nine-year period. Their higher returns, however, come with costs: illiquidity and uncertainty around the timing of capital needs. Investing with private managers requires HMC to make unfunded commitments—legal obligations to fund capital calls over the life of fund partnerships that often span many years. We therefore manage commitments not only for their expected returns, but also for their cumulative demands on the University’s liquidity. We monitor the unfunded level continuously and have gradually reduced it, even while expanding private activity. Co-investing alongside private managers—which can provide exposure with lower fees and without corresponding unfunded commitments—is one tool in that effort. So, too, is disciplined pacing, which helps preserve flexibility, reduces the risk that we will need liquidity at an unfavorable moment, and better positions HMC to take advantage of market dislocations. At the close of FY26, unfunded commitments equaled 13% of the General Investment Account.

GEOGRAPHY AS STRATEGY

Given the global nature of the portfolio and the immense value of local knowledge, HMC staffs two satellite offices in addition to its Boston headquarters. A year ago, HMC opened its San Francisco office, a decision set in motion years earlier that has aligned well with the extraordinary progress in artificial intelligence. Our purpose was to develop deeper connectivity within an ecosystem at the forefront of a technology that is reshaping the economy and every major market in the world. HMC opened its Singapore office four years ago with the same purpose. Because HMC’s investment team is deliberately small, we did not make these decisions lightly: every member of the San Francisco and Singapore offices spent years in Boston before relocating, and senior investment team members travel actively among all three locations to maintain deep interactions across the firm.

REMEMBERING WALTER CABOT

Walter Cabot AB ’55, MBA ’59, HMC’s first president, passed away in June. Walter led HMC for its first fifteen years and was a pioneering investor whose work not only laid the foundation for HMC’s future success but helped revolutionize endowment management itself. He was kind enough to reach out during my early days at HMC to share his experience and his hopes for what the endowment would continue to provide the University—all with great humility. Nearly twenty-seven years after his retirement, his passion for HMC and Harvard had not waned in the least. All of us at HMC are grateful for his exceptional stewardship of Harvard’s most critical financial resource, and we aim to serve the University with the same conviction, purpose, and humility.

LOOKING FORWARD

FY26 represents a short-term return on a long-term portfolio. Nevertheless, it is reassuring to see it strengthen the endowment’s ability to support the University in the decades ahead. It arrives, moreover, as the substantially higher federal excise tax on net investment income takes effect in FY27. Strong returns do not diminish the tax’s long-term cost: the tax will

redirect a meaningful share of investment gains that would otherwise support teaching, research, financial aid, and other purposes designated by donors. More will be required of the endowment to sustain the same level of support for the University, heightening the importance of protecting the endowment's purchasing power and of maintaining sufficient liquidity. Harvard must now meet a larger current obligation without compromising the enduring purposes for which these funds were given.

As some of you may know, I initiated a conversation with HMC's board of directors earlier this year to plan for my eventual retirement. I did so to both give the board ample time to plan for and execute a search for my replacement, and to ensure that a leadership transition does not impact the exceptional work being done by the HMC team. There will be time in the future for me to reflect on the accomplishments of this team's tenure. In the meantime, I would like to

thank the University's financial leadership for their collaboration and partnership, as well as our board of directors for their insight and counsel.

Above all, I am grateful to my colleagues at HMC for the dedication, judgment, and shared sense of purpose they bring to serving Harvard's mission, and I remain confident that these qualities will continue to guide HMC in the years ahead.

Best Regards,

A handwritten signature in dark ink, consisting of a large, stylized loop followed by a horizontal line extending to the right.

N.P. "Narv" Narvekar
CHIEF EXECUTIVE OFFICER

October 2026



Report of Independent Auditors

To the Joint Committee on Inspection of the Governing Boards of Harvard University

Opinion

We have audited the accompanying consolidated financial statements of Harvard University and its subsidiaries (the “University”), which comprise the consolidated balance sheet as of June 30, 2026, and the related consolidated statements of changes in net assets with general operating account detail and of changes in net assets of the endowment for the year ended June 30, 2026, and of cash flows for the years ended June 30, 2026 and 2025, including the related notes (collectively referred to as 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 the changes in its net assets for the year ended June 30, 2026, and its cash flows for the years ended June 30, 2026 and 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the consolidated balance sheet as of June 30, 2025, and the related consolidated statements of changes in net assets with general operating account detail, of changes in net assets of the endowment and of cash flows for the year then ended (the balance sheet and the statements of changes in net assets with general operating account detail and of changes in net assets of the endowment are not presented herein), and in our report dated October 15, 2025, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2025 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

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 the consolidated financial statements were 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US 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

Management is responsible for the other information included in the annual report. The other information comprises the Message from the President, Financial Overview and Message from the Chief Executive Officer of Harvard Management Company, 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.



Boston, Massachusetts
October 14, 2026

CONSOLIDATED BALANCE SHEETS

with summarized financial information as of June 30, 2025

In thousands of dollars

	June 30, 2026	June 30, 2025
ASSETS:		
Cash and cash equivalents	\$ 336,401	\$ 278,135
Receivables, net (Note 4)	344,478	368,618
Prepayments and other assets	510,152	459,407
Operating leases – right of use assets (Note 19)	471,511	529,232
Notes receivable, net (Note 5)	452,177	447,083
Pledges receivable, net (Note 6)	2,811,921	2,553,486
Fixed assets, net (Note 7)	9,968,609	9,551,130
Interests in trusts held by others (Note 3)	563,194	499,353
Securities pledged to counterparties, at fair value (Note 3)	347,534	68,408
Investment portfolio, at fair value (Note 3)	81,758,748	67,664,558
TOTAL ASSETS	\$ 97,564,725	\$ 82,419,410
LIABILITIES:		
Accounts payable	\$ 633,100	\$ 566,012
Deferred revenue and other liabilities	1,646,352	1,692,233
Operating lease liabilities (Note 19)	521,958	574,919
Net investment income tax liability (Note 12)	1,917,289	317,414
Other liabilities associated with the investment portfolio (Notes 3 and 10)	1,392,155	1,234,736
Liabilities due under split interest agreements (Note 9)	930,060	900,070
Bonds and notes payable (Note 10)	8,323,364	8,293,448
Accrued retirement (assets)/obligations (Note 11)	(65,355)	148,974
TOTAL LIABILITIES	\$ 15,298,923	\$ 13,727,806
NET ASSETS	82,265,802	68,691,604
TOTAL LIABILITIES AND NET ASSETS	\$ 97,564,725	\$ 82,419,410

	Without donor restrictions	With donor restrictions	June 30, 2026	June 30, 2025
NET ASSETS:				
General Operating Account (GOA) (Note 8)	\$ 9,692,611	\$ 3,795,480	\$ 13,488,091	\$ 11,009,981
Endowment (Note 8)	12,281,199	55,680,805	67,962,004	56,930,430
Split interest agreements (Note 9)		815,707	815,707	751,193
TOTAL NET ASSETS	\$ 21,973,810	\$ 60,291,992	\$ 82,265,802	\$ 68,691,604

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITH GENERAL OPERATING ACCOUNT DETAIL

with summarized financial information for the year ended June 30, 2025

In thousands of dollars	Without donor restrictions	With donor restrictions	For the year ended June 30	
			2026	2025
OPERATING REVENUE:				
Net student income <i>(Notes 2 and 13)</i>	\$ 1,482,273		\$ 1,482,273	\$ 1,438,735
Sponsored support <i>(Note 14)</i>				
Federal government – direct costs	357,621		357,621	457,196
Federal government – indirect costs	148,405		148,405	171,412
Non-federal sponsors – direct costs	80,847	\$ 207,158	288,005	297,473
Non-federal sponsors – indirect costs	20,919	23,878	44,797	47,245
TOTAL SPONSORED SUPPORT	607,792	231,036	838,828	973,326
Gifts for current use <i>(Note 15)</i>				
	160,068	482,722	642,790	628,880
Investment income:				
Endowment returns made available for operations <i>(Note 8)</i>	491,888	2,106,012	2,597,900	2,498,652
GOA returns made available for operations	249,587		249,587	239,851
Other investment income	78,688	8,065	86,753	53,138
TOTAL INVESTMENT INCOME	820,163	2,114,077	2,934,240	2,791,641
Other revenue <i>(Note 16)</i>				
	844,307		844,307	849,207
Net assets released from restriction	2,648,740	(2,648,740)	0	0
TOTAL OPERATING REVENUE	6,563,343	179,095	6,742,438	6,681,789
OPERATING EXPENSES:				
Salaries and wages	2,654,379		2,654,379	2,758,560
Employee benefits <i>(Note 11)</i>	737,448		737,448	755,895
Services purchased	1,014,723		1,014,723	977,988
Depreciation <i>(Note 7)</i>	490,920		490,920	459,031
Space and occupancy	459,057		459,057	454,221
Interest <i>(Note 10)</i>	312,788		312,788	262,546
Supplies and equipment	267,986		267,986	297,157
Scholarships and other student awards <i>(Note 13)</i>	197,573		197,573	207,724
Other expenses <i>(Note 17)</i>	507,207		507,207	621,249
TOTAL OPERATING EXPENSES	6,642,081	0	6,642,081	6,794,371
NET OPERATING (DEFICIT)/SURPLUS	\$ (78,738)	\$ 179,095	\$ 100,357	\$ (112,582)
<i>(continues)</i>				

(continues)

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITH GENERAL OPERATING ACCOUNT DETAIL *(continued)*

with summarized financial information for the year ended June 30, 2025

<i>In thousands of dollars</i>	Without donor restrictions	With donor restrictions	For the year ended June 30	
			2026	2025
NET OPERATING (DEFICIT)/SURPLUS	\$ (78,738)	\$ 179,095	\$ 100,357	\$ (112,582)
NON-OPERATING ACTIVITIES:				
Income from GOA Investments	11,692		11,692	22,307
GOA realized and change in unrealized appreciation, net <i>(Note 3)</i>	2,237,659		2,237,659	855,592
TOTAL INVESTMENT RETURN, BEFORE NET INVESTMENT INCOME TAX	2,249,351	0	2,249,351	877,899
GOA portion of net investment income tax	5,016		5,016	(76,317)
TOTAL INVESTMENT RETURN	2,254,367	0	2,254,367	801,582
GOA returns made available for operations	(249,587)		(249,587)	(239,851)
INVESTMENT RETURN, LESS GOA RETURNS MADE AVAILABLE FOR OPERATIONS	2,004,780	0	2,004,780	561,731
Change in pledge balances <i>(Note 6)</i>		135,645	135,645	(26,976)
Change in interests in trusts held by others		2,077	2,077	5,143
Gifts for facilities and loan funds <i>(Note 15)</i>		104,939	104,939	60,796
Change in retirement obligations <i>(Note 11)</i>	211,700		211,700	132,051
Federal sponsored support from reinstated awards	116,182		116,182	
Other changes	(67,056)		(67,056)	(67,967)
Transfers between the GOA and endowment <i>(Note 8)</i>	(156,057)	(5,778)	(161,835)	12,059
Transfers between the GOA and split interest agreements <i>(Note 9)</i>		31,321	31,321	20,256
Non-operating net assets released from restrictions	185,183	(185,183)	0	0
TOTAL NON-OPERATING ACTIVITIES	2,294,732	83,021	2,377,753	697,093
GENERAL OPERATING ACCOUNT NET CHANGE DURING THE YEAR	2,215,994	262,116	2,478,110	584,511
Endowment net change during the year	2,031,489	9,000,085	11,031,574	3,695,225
Split interest agreements net change during the year <i>(Note 9)</i>		64,514	64,514	80,570
NET CHANGE DURING THE YEAR	4,247,483	9,326,715	13,574,198	4,360,306
Net assets, beginning of year	17,726,327	50,965,277	68,691,604	64,331,298
NET ASSETS, END OF YEAR	\$ 21,973,810	\$ 60,291,992	\$ 82,265,802	\$ 68,691,604

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS OF THE ENDOWMENT

with summarized financial information for the year ended June 30, 2025

<i>In thousands of dollars</i>	Without donor restrictions	With donor restrictions	For the year ended June 30	
			2026	2025
Investment return (Note 3):				
Income from general investments	\$ 14,728	\$ 64,187	\$ 78,915	\$ 150,171
Realized and change in unrealized appreciation, net	2,654,380	11,559,317	14,213,697	5,681,694
TOTAL INVESTMENT RETURN, BEFORE NET INVESTMENT INCOME TAX	2,669,108	11,623,504	14,292,612	5,831,865
Endowment portion of net investment income tax	(307,297)	(1,338,933)	(1,646,230)	(20,252)
TOTAL INVESTMENT RETURN	2,361,811	10,284,571	12,646,382	5,811,613
Endowment returns made available for operations	(491,888)	(2,106,012)	(2,597,900)	(2,498,652)
INVESTMENT RETURN, LESS ENDOWMENT RETURNS MADE AVAILABLE FOR OPERATIONS	1,869,923	8,178,559	10,048,482	3,312,961
Gifts for endowment (Note 15)	3,113	558,819	561,932	363,820
Transfers between endowment and the GOA (Note 8)	156,057	5,778	161,835	(12,059)
Capitalization of split interest agreements (Note 9)		86,738	86,738	18,695
Change in pledge balances (Note 6)		122,608	122,608	2,094
Change in interests in trusts held by others (Note 8)		61,764	61,764	27,928
Other changes	(478)	(11,307)	(11,785)	(18,214)
Net assets released from restrictions	2,874	(2,874)	0	0
NET CHANGE DURING THE YEAR	2,031,489	9,000,085	11,031,574	3,695,225
Net assets of the endowment, beginning of year	10,249,710	46,680,720	56,930,430	53,235,205
NET ASSETS OF THE ENDOWMENT, END OF YEAR	\$ 12,281,199	\$ 55,680,805	\$ 67,962,004	\$ 56,930,430

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended June 30	
<i>In thousands of dollars</i>	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 13,574,198	\$ 4,360,306
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	490,920	459,031
Writeoffs and amortization of premium and discount related to bonds and notes payable	(88,001)	(46,978)
Amortization of debt issuance cost	974	754
Realized and change in unrealized depreciation/(appreciation), net	(16,590,812)	(6,670,936)
Change in fair value of interest rate exchange agreements	(273)	(129)
Change in interests in trusts held by others	(63,841)	(33,070)
Change in liabilities due under split interest agreements	58,726	28,579
Gifts of donated securities	(192,416)	(54,029)
Proceeds from the sale of gifts of securities without donor restrictions	17,960	9,177
Gifts for restricted purposes	(558,381)	(335,979)
Fixed assets disposed of or derecognized	134,404	22,427
Change in accrued retirement obligations	(214,329)	(127,625)
Non-cash operating lease costs	57,721	145,857
Changes in operating assets and liabilities:		
Receivables, net	24,140	2,361
Prepayments and other assets	(50,745)	(46,517)
Pledges receivable, net	(258,435)	25,303
Accounts payable	83,383	65,642
Deferred revenue and other liabilities	(42,967)	125,812
Operating lease liability	(52,961)	(146,954)
Change in net investment income tax liability	1,599,875	73,133
NET CASH USED IN OPERATING ACTIVITIES	(2,070,860)	(2,143,835)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loans made to students, faculty, and staff	(46,428)	(64,180)
Payments received on student, faculty, and staff loans	47,640	47,320
Change in other notes receivable	(6,306)	(5,947)
Proceeds from the sales and maturities of investments	19,047,501	19,494,996
Purchase of investments	(17,146,913)	(16,501,803)
Change associated with repurchase agreements	(250,432)	325,577
Additions to fixed assets	(1,048,649)	(1,084,953)
NET CASH PROVIDED BY INVESTING ACTIVITIES	596,413	2,211,010
CASH FLOWS FROM FINANCING ACTIVITIES:		
Change in overdrafts included in accounts payable	(10,449)	798
Change in split interest agreements from new contributions, income and payments to annuitants	(28,736)	(33,826)
Proceeds from issuance of debt	816,210	1,293,033
Debt repayments	(699,267)	(87,441)
Proceeds from the sale of gifts of securities with donor restrictions	113,088	44,852
Gifts for restricted purposes	558,381	335,979
Change in government loan advances	(2,914)	(3,277)
NET CASH PROVIDED BY FINANCING ACTIVITIES	746,313	1,550,118
NET CHANGE IN CASH	(728,134)	1,617,293
Cash, beginning of year	3,693,502	2,076,209
CASH, END OF YEAR	\$ 2,965,368	\$ 3,693,502
Cash and cash equivalents (per Consolidated Balance Sheets)	\$ 336,401	\$ 278,135
Cash and restricted cash held in investments (Note 3)	2,628,967	3,415,367
TOTAL CASH AND CASH EQUIVALENTS	\$ 2,965,368	\$ 3,693,502
Supplemental disclosure of cash flow information:		
Accounts payable related to fixed asset additions	\$ 73,674	\$ 79,520
Cash paid for interest	\$ 361,879	\$ 308,832
New operating leases – right of use assets	\$ 54,112	\$ 82,537

The accompanying notes are an integral part of the consolidated financial statements.

1. UNIVERSITY ORGANIZATION

Harvard University (the “University”) is a private, not-for-profit institution of higher education with approximately 7,300 undergraduate and 17,100 graduate degree-seeking students in fiscal year 2026, as compared to 7,600 undergraduate and 16,900 graduate students in fiscal year 2025. Established in 1636, the University includes the Faculty of Arts and Sciences, the John A. Paulson School of Engineering and Applied Sciences, the Division of Continuing Education, ten graduate and professional Schools, the Radcliffe Institute for Advanced Study, a variety of research museums and institutes, and an extensive library system to support the teaching and research activities of the Harvard community.

The President and Fellows of Harvard College (the “Corporation”), a governing board of the University, has oversight responsibility for all of the University’s financial affairs. The Corporation delegates substantial authority to the Schools and departments for the management of their resources and operations.

The University includes Harvard Management Company (HMC), a wholly owned subsidiary founded in 1974 to manage the University’s investment assets. HMC is governed by a Board of Directors that is appointed by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and affiliated organizations controlled by the University. Significant inter-affiliate accounts and transactions have been eliminated.

Funds transferred to the University on behalf of specific beneficiaries (agency funds) are recorded as assets and liabilities in the *Consolidated Balance Sheets* and are not included in the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail*.

Related parties to the University may include affiliates, trusts, investment holdings, Corporation members, senior management, their family members, and associated entities. Transactions with related parties occur in the ordinary course of activities and do not materially affect the University’s financial position.

The consolidated financial statements include certain prior year summarized comparative information in total, not by net asset classification. This information is not presented in sufficient detail to conform to generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended June 30, 2025, from which the summarized information is derived. Certain prior year amounts have been reclassified to conform to current year presentation.

Net asset classifications

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

WITHOUT DONOR RESTRICTIONS — Net assets not subject to donor-imposed restrictions. Funds invested in fixed assets and unrestricted endowment funds comprise 72% of the University’s net assets without donor-imposed restrictions as of June 30, 2026. In addition, this category includes gifts and endowment income balances where the donor restriction has been met, University-designated loan funds, and other current funds.

WITH DONOR RESTRICTIONS — Net assets subject to legal or donor-imposed restrictions that will be satisfied either by actions of the University, the passage of time, or both. These net assets include net assets subject to donor-imposed restrictions that are invested to provide a perpetual source of income to the University. Generally, donors of these assets require the University to maintain and invest the original contribution in perpetuity but permit the use of some or all investment returns for general or specific purposes. The appreciation on these perpetual contributions must be reported as net assets with donor restrictions until appropriated for spending in accordance with Massachusetts law. Also included in this category are gifts donated for a particular purpose and amounts subject to time restrictions such as funds pledged for future payment.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by donor stipulations or by law. Investment returns earned by restricted donor funds are initially classified as net assets with donor restrictions and then reclassified to net assets without donor restrictions when expenses are appropriated or incurred for their intended purpose. Expirations of donor restrictions on net assets are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions and appear as “Net assets released from restrictions” and “Non-operating net assets released from restrictions” in the *Consolidated Statements of Changes in Net Assets*.

Liquidity and availability

As part of the University’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. A significant portion of the University’s annual expenditures are funded by operating revenues in the current year including student income, sponsored support, endowment returns made available for operations, gifts for current use and other revenue.

The University’s financial assets available within one year of the balance sheet date for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, are as follows (in thousands of dollars):

	June 30, 2026	June 30, 2025
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 336,401	\$ 278,135
Receivables, net	344,478	368,618
Pledge receivables due in one year	480,582	413,241
Cash and short-term investments held separately by General Operating Account (GOA) ¹	2,709,740	2,157,648
Endowment returns made available for operations in the following year	2,882,509	2,863,295
TOTAL FINANCIAL ASSETS AVAILABLE WITHIN ONE YEAR	\$ 6,753,710	\$ 6,080,937
LIQUIDITY RESOURCES		
Credit facility, undrawn balance	\$ 1,500,000	\$ 1,500,000
Taxable commercial paper, undrawn balance	2,000,000	2,000,000
TOTAL FINANCIAL ASSETS AND RESOURCES AVAILABLE WITHIN ONE YEAR	\$ 10,253,710	\$ 9,580,937

¹ The University has a policy of maintaining liquidity outside of the General Investment Account (GIA) through a combination of cash equivalents and short-term investments.

The University has \$6.8 billion of financial assets that are available within one year to meet cash needs for general expenditure consisting of cash and cash equivalents, receivables, pledge receivables, and short-term investments and the investment returns made available for operations. In addition to these available financial assets, a significant portion of the University’s annual expenditures will be funded by current year operating revenues.

Board-designated endowment funds of \$12.3 billion, net of the deferred net investment income tax liability, include investments subject to lock-up provisions that limit the amounts available, and, as a result, are not considered available to meet cash needs for general expenditure within one year. The University does not intend to spend from these funds other than amounts appropriated for expenditure.

Revenue recognition

Revenue is recognized when control of promised goods or services is transferred to customers, in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services.

Student income is derived from degree programs as well as executive and continuing education programs and includes tuition, fees, and board and lodging. Student income is recognized ratably over the academic period of the course or program offered, based on time elapsed, and scholarships awarded to students reduce the amount of revenue recognized. The University’s individual schools have various billing and academic cycles and the majority of our programs are completed within the fiscal year. Student income received in advance of services to be rendered is recorded as deferred revenue, which totaled \$207.1 million and \$223.4 million at June 30, 2026 and 2025, respectively, and which are primarily recognized in the subsequent fiscal year.

Total student income of \$1.5 billion and \$1.4 billion was recorded during the years ended June 30, 2026 and 2025, respectively. Student tuition, fees, board and lodging at published rates are summarized as follows for the years ended June 30, 2026 and 2025 (in thousands of dollars):

	2026	2025
Undergraduate program	\$ 429,379	\$ 429,027
Graduate and professional degree programs	762,622	730,658
Continuing education and executive programs	617,163	612,129
Board and lodging	252,782	242,871
TOTAL GROSS STUDENT INCOME	\$ 2,061,946	\$ 2,014,685

Scholarships applied to student charges were \$579,673 and \$575,950 for the years ended June 30, 2026 and 2025, respectively. Additionally, scholarships and other student awards expense totaled \$197,573 and \$207,724 for the years ended June 30, 2026 and 2025. See Note 13 for further composition of student financial aid.

Unconditional contributions, including pledges, are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions for which cash is received are accounted for as a liability within deferred revenue.

Sponsored support of \$838.8 million includes support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the University's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue, which is recognized when any grantor-imposed conditions have been met, if applicable.

Sponsored conditional contributions received, where the barrier to entitlement is not yet overcome, are recorded as deferred revenues of \$61.4 million and \$55.4 million as of June 30, 2026 and 2025, respectively. Funding received in advance of recognition is recorded as deferred revenue.

As of June 30, 2026, the University had \$1.3 billion in federal sponsored awards which were contractually obligated, but for which costs had not yet been incurred. As of June 30, 2025, the University had \$1.4 billion in federal sponsored awards which were contractually obligated, but for which costs had not yet been incurred.

Other revenue of \$844.3 million in fiscal 2026 and \$849.2 million in fiscal 2025 includes several revenue streams considered exchange contracts with customers totaling \$643.4 million for fiscal year 2026 and \$662.1 million in fiscal year 2025. These revenues are recognized at the point in time goods or services are provided.

Deferred revenues related to other revenue of \$78.4 million and \$76.5 million were recorded as of June 30, 2026 and 2025, respectively, which are primarily recognized in the subsequent fiscal year.

Measure of operations

Revenues earned, expenses incurred, and returns made available for operations for the purpose of teaching, conducting research, and the other programs and services of the University are the components of "Net operating surplus" in the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail*. The University's non-operating activity within the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail* includes contributions to the University's building construction and renovation funds, investment returns (net of amounts made available for operations), change in pledge balances, long-term benefit plan obligation funding changes, and other infrequent transactions.

Collections

The University's vast array of museums and libraries contains priceless works of art, historical treasures, literary works, and artifacts. These collections are protected and preserved for public exhibition, education, research, and the furtherance of public service. They are neither disposed of for financial gain nor encumbered in any manner. Accordingly, such collections are not recorded for financial statement purposes. Proceeds on deaccessioned collections are used to fund new collections or the direct care of existing collections. Direct care is defined as general care for the preservation of a collection.

Tax

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The University regularly evaluates its tax positions and does not believe it has any uncertain tax positions that require disclosure in or adjustment to the consolidated financial statements. As a tax-exempt organization, the University is generally not subject to federal income tax on revenue related to its exempt purpose. However, the University is subject to certain federal excise and other taxes, including taxes on net investment income and unrelated business taxable income, as well as excise taxes on excess compensation. See Note 12 for additional information regarding the University's tax positions and related tax expense. See Note 17 for taxes and fees related to University operating activities, which are included in "Other expenses" on the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail*.

Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Insurance programs

The University, together with the Harvard-affiliated teaching hospitals, are members of a captive insurance company, Controlled Risk Insurance Company (CRICO), which provides professional liability (medical malpractice) and general liability insurance for the clinical exposure of its members. CRICO provides malpractice coverage with no deductible for its medical professionals practicing within Harvard's University Health Services department, the Harvard Medical School, the Harvard School of Dental Medicine, and the T.H. Chan School of Public Health.

The University also maintains a suite of commercial insurance coverages consistent with its exposures as a global educational and research institution. The University self-insures various portions of certain programs, as appropriate, consistent with applicable regulatory requirements and sound financial management. The University maintains reserves for the self-insured portion of claims for property, automobile liability, general liability and employers liability claims. The University regularly evaluates its programs for alignment with exposures, competitiveness and pricing efficiencies, as well as viable alternatives in the commercial and alternative risk markets. In addition, the University maintains insured dental plans and retiree health plans, and is self-insured for unemployment and all health plans for active employees. The University's claims liabilities are recognized as incurred, including claims that have been incurred but not reported, and are included in operating expenses.

New accounting pronouncements

Effective July 1, 2025, the University adopted Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU enhances annual income tax disclosure requirements for entities other than public business entities by requiring additional qualitative disclosures regarding significant reconciling items affecting the effective tax rate and expanded disclosures of income taxes paid by jurisdiction. The adoption of the standard resulted in additional disclosures but did not affect the University's financial position, changes in net assets, or cash flows. The effects of adopting this amendment are reflected in *Note 12*.

Effective July 1, 2024, the University adopted ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides temporary optional expedients and exceptions to existing guidance on contract modifications and hedge accounting to facilitate the market transition from existing reference rates, such as London Interbank Offered Rate ("LIBOR") which has been phased out, to alternate reference rates, such as Secured Overnight Financing Rate ("SOFR"). The adoption of this standard has not had a material impact on the University's consolidated financial statements and disclosures.

In November 2025, the FASB issued ASU 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets*. The ASU provides practical expedients and an accounting policy election for estimating expected credit losses on certain current accounts receivable and contract assets arising from revenue contracts. This amendment is effective for fiscal year 2027 for the University. The University is evaluating the effect of adopting this guidance on the consolidated financial statements.

3. INVESTMENTS

Investments are presented at fair value in accordance with GAAP and under the guidelines prescribed by the HMC investment valuation policy, which is reviewed and approved by the HMC Board of Directors on an annual basis.

The majority of the University's investments are managed by HMC in the GIA, a pooled investment account that consists primarily of endowment assets. Certain other investments such as cash, short-term investments, split interest agreements and other assets, are managed separately from the GIA.

The University's investment holdings as of June 30, 2026 and 2025 are summarized in the following table (in thousands of dollars):

	June 30, 2026			June 30, 2025	
	Total investment assets	Net investment income tax liability ^{4,5}	Pooled general investment account and other liabilities	Total investments, net	Total investments, net
Investment portfolio assets					
Pooled general investment assets					
Endowment ¹	\$ 67,855,979	\$ 1,605,500	\$ 537,678	\$ 65,712,801	\$ 54,878,404
General operating account	7,500,062	225,089	61,025	7,213,948	6,434,091
Split interest agreements	1,055,910		8,389	1,047,521	922,812
Other internally designated funds	1,367,045	13,824	783,636	569,585	461,063
TOTAL POOLED GENERAL INVESTMENT ACCOUNT	77,778,996	1,844,413	1,390,728	74,543,855	62,696,370
Other investments outside the general investment account					
General operating and other investments ²	3,629,040	69,876	1,427	3,557,737	2,755,995
Split interest agreements	698,246			698,246	728,451
OTHER INVESTMENTS OUTSIDE THE GENERAL INVESTMENT ACCOUNT	4,327,286	69,876	1,427	4,255,983	3,484,446
TOTAL INVESTMENTS AND LIABILITIES ASSOCIATED WITH THE INVESTMENT PORTFOLIO³	\$ 82,106,282	\$ 1,914,289	\$ 1,392,155	\$ 78,799,838	\$ 66,180,816

¹ As of June 30, 2026, the endowment's net assets totaled \$67,962,004 and consisted of \$65,712,801 invested in the General Investment Account ("GIA"), \$1,382,699 of pledges receivable, \$527,917 of interests in trusts held by others, and \$338,587 of other non-GIA investments and GIA interest and dividends, net of all internal and external investment management fees and expenses. The GIA balance includes \$1,605,500 of net investment income tax liability. See Note 8 for additional information regarding the composition of the endowment's net assets.

² Consists primarily of money markets, fixed income funds, repurchase agreements and US government securities.

³ As of June 30, 2026 and 2025, Total investment assets include the Investment portfolio, at fair value, of \$81,758,748 and \$67,664,558, respectively, and Securities pledged to counterparties, at fair value, of \$347,534 and \$68,408, respectively, as reported on the Consolidated Balance Sheets.

⁴ Net investment income tax associated with the investment portfolio excludes \$3,000 of net investment income tax associated with operating activity. Total net investment income tax liability reported on the Consolidated Balance Sheets is \$1,917,289 as of June 30, 2026.

⁵ As of June 30, 2026, the net investment income tax liability allocated to the General Operating Account ("GOA") totals \$311,789, which includes \$3,000 of net investment income tax on operating activity and \$308,789 associated with the investment portfolio, consisting of \$225,089 for the GOA held within the GIA; \$13,824 for other internally designated funds; and \$69,876 for general operating and other investments outside the General Investment Account. See Note 12 for additional information regarding the composition of the net investment income tax liability.

Investment return

A summary of the University's total return on investments for fiscal years 2026 and 2025 is presented below (in thousands of dollars):

	2026	2025
Return on pooled general investment account:		
Realized and change in unrealized appreciation, net	\$ 16,317,239	\$ 6,549,997
Interest, dividends, fees, and expenses, net	90,653	173,324
Total return on pooled general investment account ¹	\$ 16,407,892	\$ 6,723,321
Return on other investments:		
Realized and change in unrealized appreciation, net	438,841	120,939
Interest, dividends, fees, and expenses, net	103,649	72,829
Total return on other investments	\$ 542,490	\$ 193,768
Realized and change in unrealized depreciation on interest rate exchange agreement, net	(612)	(12)
TOTAL RETURN ON INVESTMENTS²	\$ 16,949,770	\$ 6,917,077

¹ Net of internal and external management fees and expenses. Total return on investments does not include the impact of net investment income tax expense of \$1,641,214 and \$96,569 as of June 30, 2026 and 2025, respectively, on the Consolidated Statements of Changes in Net Assets.

² Total return on investments is comprised of returns on the endowment, GOA, Split Interest Agreements and other.

Fair value hierarchy

The University's investments have been categorized based upon the fair value hierarchy in accordance with ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value of investment assets and liabilities into three levels:

LEVEL 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

LEVEL 2 Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

LEVEL 3 Prices or valuations that require inputs that are significant to the fair value measurement, unobservable and/or require the University to develop its own assumptions.

Investments in externally managed funds where the University utilizes net asset values (as reported by external managers) as a practical expedient for fair value measurements are excluded from the fair value hierarchy.

The level of an asset or liability within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The University endeavors to utilize all relevant and available information in measuring fair value.

The following is a summary of the levels within the fair value hierarchy for those investment assets and liabilities subject to fair value measurement as of June 30, 2026 and summarized as of June 30, 2025 (in thousands of dollars):

	2026				2025	
	Level 1	Level 2	Level 3 ⁷	Net asset value	Total	Total
ASSETS:						
Cash and cash equivalents ¹	\$ 2,628,967				\$ 2,628,967	\$ 3,415,367
Repurchase agreements		\$ 250,432			250,432	0
Domestic equity	4,553,537			\$ 4,774,601	9,328,138	5,209,719
Foreign equity	454,299			519,792	974,091	762,158
Global equity				927,777	927,777	926,639
Domestic fixed income	1,105,143			1,063,440	2,168,583	2,182,927
Foreign fixed income	461,128				461,128	615,905
Emerging market equity and debt	352,640			2,977,298	3,329,938	2,497,158
High yield	14,953		\$ 56,827		71,780	71,157
Hedge funds				21,951,437	21,951,437	19,531,847
Private equity			1,596,536	32,937,537	34,534,073	26,690,501
Natural resources	908			446,294	447,202	486,120
Real estate			397	3,003,753	3,004,150	3,037,725
Inflation-indexed bonds	1,074,461				1,074,461	1,048,737
Due from brokers		20,778	4,642		25,420	59,340
Other investments	185	21,596			21,781	57,956
INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING					\$ 10,646,221	\$ 292,806
					\$ 1,658,402	\$ 68,601,929
					\$ 81,199,358	\$ 66,593,256
Other investment assets not subject to fair value ²					906,924	1,139,710
TOTAL INVESTMENT ASSETS³					\$ 82,106,282	\$ 67,732,966
Non-investment assets subject to fair value leveling ⁴					563,194	499,353
TOTAL ASSETS					\$ 82,669,476	\$ 68,232,319
LIABILITIES:						
Due to brokers ⁵	\$ 7,124	\$ 60,695			\$ 67,819	\$ 2,354
Other liabilities subject to fair value		772,775			772,775	641,055
INVESTMENT LIABILITIES SUBJECT TO FAIR VALUE LEVELING					\$ 7,124	\$ 833,470
					\$ 0	\$ 840,594
Other investment liabilities not subject to fair value ⁶					551,561	591,327
TOTAL INVESTMENT LIABILITIES³					\$ 1,392,155	\$ 1,234,736
Non-investment liabilities subject to fair value leveling ⁴					930,060	900,070
TOTAL LIABILITIES					\$ 2,322,215	\$ 2,134,806

¹ This excludes money markets held in "Cash and cash equivalents" on the Consolidated Balance Sheets of \$60.0 million as of June 30, 2026 and \$55.0 million as of June 30, 2025, respectively, which are Level 1 investments.

² As of June 30, 2026 and 2025, other assets not subject to fair value consist primarily of receivables for transactions that settled subsequent to the balance sheet date of \$750,539 and \$1,044,015, respectively.

³ As of June 30, 2026 and 2025, total investment assets, net after tax equal \$78,799,838 and \$66,180,816, respectively.

⁴ Amounts excluded from investments and included separately within "Interests in trusts held by others" and "Liabilities due under split-interest agreements" on the University's Consolidated Balance Sheets.

⁵ Includes fair value of an interest rate exchange agreement on the University's debt portfolio of \$1,427 and \$1,700 as of June 30, 2026 and 2025, respectively.

⁶ Other investment liabilities not subject to fair value excludes the net investment tax liability associated with the investment portfolio of \$1,914,289 and \$317,414 as of June 30, 2026 and 2025, respectively.

⁷ As of June 30, 2026, \$678,861 of Level 3 assets were valued using significant unobservable inputs developed by the University.

The following is a rollforward of Level 3 investments for the year ended June 30, 2026 and the condensed June 30, 2025 rollforward of Level 3 investments (in thousands of dollars).

	Beginning balance as of July 1, 2025	Net realized gains/ (losses)	Net change in unrealized appreciation/ (depreciation) ²	Purchases/ contributions	Sales/ distributions	Transfers into Level 3	Transfers out of Level 3 ³	Ending balance as of June 30, 2026
INVESTMENT ASSETS:								
High yield	\$ 58,041	\$ (2,550)	\$ 1,336					\$ 56,827
Private equity	1,916,919	91,173	312,047	\$ 121,039	\$(318,052)		\$(526,590)	1,596,536
Real estate	2,689	(1)	(2,291)					397
Due from brokers	4,643		(1)					4,642
INVESTMENT ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 1,982,292	\$ 88,622	\$ 311,091	\$ 121,039	\$(318,052)	\$ 0	\$(526,590)	\$ 1,658,402
Non-investment assets subject to fair value leveling ¹	499,353		66,697		(2,856)			563,194
NET ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 2,481,645	\$ 88,622	\$ 377,788	\$ 121,039	\$(320,908)	\$ 0	\$(526,590)	\$ 2,221,596

¹ Amounts excluded from investments and included separately within "Interests in trusts held by others" on the University's Consolidated Balance Sheets.

² Total change in unrealized appreciation/(depreciation) relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2026 is \$226,337 and is reflected in "Realized and change in unrealized appreciation/(depreciation), net" in the Consolidated Statements of Changes in Net Assets.

³ The transfers out of Level 3 represent interests in private companies that underwent an initial public offering during the fiscal year.

	Beginning balance as of July 1, 2024	Net realized gains	Net change in unrealized appreciation ¹	Purchases/ contributions	Sales/ distributions	Transfers into Level 3 ²	Transfers out of Level 3 ³	Ending balance as of June 30, 2025
PRIOR YEAR NET ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 1,911,776	\$ 88,581	\$ 268,849	\$ 458,462	\$(408,796)	\$ 175,675	\$ (12,902)	\$ 2,481,645

¹ Total change in unrealized appreciation relating to Level 3 investment assets and investment liabilities still held by the University at June 30, 2025 is \$335,394 and is reflected in "Realized and change in unrealized appreciation/(depreciation), net" in the Consolidated Statements of Changes in Net Assets.

² The transfers into Level 3 represent certain private equity investments that were valued using a secondary sale price.

³ The transfers out of Level 3 represent interests in private companies that underwent an initial public offering during the fiscal year.

Investment strategy and risk

The University utilizes a number of wholly owned subsidiary entities to support its investment activities. The consolidated financial statements include all assets, liabilities, income, and expenses associated with these entities and intercompany accounts and transactions have been eliminated during consolidation.

The University's investment strategy incorporates a diversified asset allocation approach and maintains, within defined limits, exposure to the movements of the global public and private equity, fixed income, real estate, and commodities markets. Exposure to these markets is achieved through direct investments in individual securities, investments in special purpose vehicles and/or through investments in vehicles advised by external managers.

Investments in global markets involve a multitude of risks such as price, interest rate, market, sovereign, currency, liquidity and credit risks, amongst many

others. The University manages exposure to these risks through established policies and procedures related to its ongoing investment diligence and operational due diligence programs. The University also considers manager concentration risk. As of June 30, 2026, 13% of the GIA NAV was invested across five diversified fund managers. The University anticipates that the value and composition of its investments may, from time to time, fluctuate substantially in response to any or all of the risks described herein.

Cash and cash equivalents

Cash and cash equivalents are recorded at cost, which approximates fair value, and includes cash in bank accounts, institutional money market funds and other temporary investments held for working capital purposes with original maturities of three months or less. Cash and cash equivalents do not include cash balances held as collateral by the University. Cash and cash equivalents designated for investment purposes are included in the "Investment portfolio, at fair value" in the *Consolidated Balance Sheets*.

Repurchase agreements

The University *Consolidated Balance Sheets* display the assets generated by repurchase transactions. The University enters into these transactions under agreements containing master netting arrangements. The University requires the fair value of the collateral exchanged under these agreements to be equal to or in excess of the total amount of the agreement, including interest where applicable. At June 30, 2026, the University had gross asset repurchase agreements of \$0.3 billion which were fully collateralized and at June 30, 2025 the University had no gross asset repurchase agreements. The University does not offset repurchase agreements that are subject to master netting arrangements or similar arrangements on the University's *Consolidated Balance Sheets*.

Dividend and interest income

Dividend income is recognized net of applicable withholding taxes on the ex-dividend date. Non-cash dividends are recorded at the fair value of the securities received. Interest income and expense is recorded net of applicable withholding taxes, on an accrual basis. The University amortizes bond premiums and accretes bond discounts using the effective yield method and when cash collection is expected.

Traded securities

Instruments listed or traded on a securities exchange are valued at the last quoted price on the primary exchange where the security is traded. Where there is no readily available closing price on the valuation date, long positions are valued at the bid price and short positions are valued at the ask price. Restrictions that are attached to a security are factored into the valuation of that security, reflective of the estimated impact of those restrictions. Investments in non-exchange traded debt and equity instruments are primarily valued using inputs provided by independent pricing services or by broker/dealers who actively make markets in these securities.

Derivatives

The University uses a variety of financial instruments with off-balance sheet risk involving contractual or optional commitments for future settlement, which are exchange traded or executed over the counter (OTC). These instruments are used to (1) manage exposure to certain asset classes and/or various market risks, (2) arbitrage mispricings of related securities and (3) manage the interest, cost and risk associated with its outstanding and/or future debt. These instruments are classified as due to/from brokers and may include option, swap, credit default, interest rate, and forward contracts. These types of instruments are primarily valued using industry standard models with independent market inputs, or by broker quotes. Inputs such as prices, spreads, curves, and/or broker quotes are evaluated for source reliability and consistency with industry standards. Counterparty marks obtained and utilized to determine daily collateral requirements are also used to corroborate input reasonability. The University considers current market conditions including interest rate and credit risks in its evaluation of inputs, pricing methodologies, and models utilized to determine fair values.

In connection with its investments in derivatives, the University maintains master netting agreements and collateral agreements with its counterparties. These agreements provide the University the right, in the event of default by the counterparty (such as bankruptcy or a failure to pay or perform), to net a counterparty's rights and obligations under the agreement and to liquidate and offset collateral against any net amount owed by the counterparty. Collateral, generally in the form of debt obligations issued by the US Treasury, is exchanged on a daily basis as required by fluctuations in the market.

Specific credit limits are established for counterparties based on their individual credit ratings. Credit limits are monitored daily by the University and are adjusted according to policy, as necessary. Some of the financial instruments entered into by the University contain credit-risk-related contingency features that allow the parties to the agreement to demand immediate payment for outstanding contracts and/or collateral.

The following table presents information about the University's derivatives by primary risk exposure for the years ended June 30, 2026 and 2025 (in thousands of dollars):

	As of June 30, 2026			Year ended June 30, 2026	As of June 30, 2025			Year ended June 30, 2025
	Average quarterly notional	Gross derivative assets	Gross derivative liabilities	Net profit/ (loss) ⁴	Average quarterly notional	Gross derivative assets	Gross derivative liabilities	Net profit/ (loss) ⁴
Primary risk exposure								
Equity instruments	\$ 1,240,583	\$ 144,523	\$ 190,207	\$ 916,505	\$ 566,274	\$ 62,549	\$ 9,167	\$ (34,566)
Fixed income instruments ¹	117,000		1,427	(612)	117,000		1,700	(12)
Currency instruments	8,429	5,964	5,975	490	43,361	160,194	159,697	2,047
Credit instruments	4,822	4,723		(277)	4,817	4,807		(7)
SUBTOTAL		\$ 155,210	\$ 197,609	\$ 916,106		\$ 227,550	\$ 170,564	\$ (32,538)
TOTAL COUNTERPARTY NETTING²		(131,217)	(131,217)			(169,910)	(169,910)	
NET AMOUNTS INCLUDED IN THE CONSOLIDATED BALANCE SHEETS³		23,993	66,392			57,640	654	
TOTAL SECURITIES COLLATERAL RECEIVED/POSTED⁵		20,739	291,787			58,387	40,833	
NET AMOUNT		3,254	(225,395)			(747)	(40,179)	
NET AMOUNT IN ACCORDANCE WITH ASC 210⁶		\$ 3,254	\$ 0			\$ 0	\$ 0	

¹ For the years ended June 30, 2026 and 2025, the balance represents an interest rate exchange swap on the University's debt portfolio.

² GAAP permits the netting of derivative assets and liabilities and the related cash collateral received and paid when a legally enforceable master netting agreement exists between the University and a derivative counterparty.

³ Included within the "Investment portfolio, at fair value" and "Other liabilities associated with the investment portfolio" line items of the Consolidated Balance Sheets.

⁴ Included within "Realized and change in unrealized appreciation / (depreciation), net" within the Consolidated Statements of Changes in Net Assets.

⁵ Includes securities posted to meet initial margin requirements on exchange traded futures

⁶ Excludes any over-collateralized amounts in accordance with ASC 210.

External advisors

Investments managed by external advisors include investments in private equity, real estate, natural resources, hedge funds, and other externally managed funds. The University generally utilizes the capital account balance provided by the external advisor as a practical expedient to fair value. To evaluate the adequacy of these fair value measurements, the University has assessed factors including, but not limited to, the external advisor's adherence to fair value principles in calculating the capital account balance, the existence of transactions at NAV at the measurement date and the existence or absence of

certain restrictions at the measurement date. In addition, the University evaluates these external advisors through ongoing due diligence and operational oversight, which includes an analysis of an advisor's use of and adherence to fair value principles.

The University, as an investor, has commitments to make periodic contributions in future periods to the investments managed by external advisors. The amounts of these expected disbursements as of June 30, 2026 and 2025 are disclosed below (in thousands of dollars):

	As of June 30, 2026			As of June 30, 2025		
	Fair value ¹	Remaining unfunded commitments	Estimated remaining life ²	Fair value ¹	Remaining unfunded commitments	Estimated remaining life ²
Private equity funds	\$ 26,147,322	\$ 7,089,772	4 – 10	\$ 20,825,664	\$ 7,865,231	4 – 10
Real estate funds	2,244,574	1,730,746	4 – 10	2,246,789	1,875,753	4 – 10
Other externally managed funds ³	2,422,252	1,108,701	2 – 8	4,051,314	1,918,939	2 – 8
TOTAL	\$ 30,814,148	\$ 9,929,219		\$ 27,123,767	\$ 11,659,923	

¹ Represents the fair value of the funded portion of investments with remaining unfunded commitments.

² The estimated remaining lives of these funds, expressed in years, are forward-looking projections based on the University's estimates and could vary significantly depending on the investment decisions of external managers, changes in the University's investment portfolio, and other circumstances.

³ Investments in externally managed funds primarily include exposures to hedge funds and natural resources.

Investments in externally managed funds generally have limited redemption options for investors and, subsequent to final closing, may or may not permit subscriptions by new or existing investors. These entities may also have the ability to impose gates, lockups and other restrictions on an investor's ability to readily redeem out of their investment interest in the fund.

Direct investments

Direct investments are primarily valued using a combination of independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach, or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods: the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized with these techniques may be subjective, unobservable, and require

judgment regarding significant matters such as estimating the amount and timing of future cash flows, forward pricing assumptions and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost of the investment is determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. When applicable, the University examines market data and collaborates closely with independent appraisers to arrive at the best estimation of fair value for each respective asset. The HMC Board of Directors discusses the valuation process and results with HMC management, and makes determinations on significant matters impacting valuation that may arise from time to time.

4. RECEIVABLES

The major components of receivables, net of reserves for doubtful accounts of \$14.9 million and \$12.2 million as of June 30, 2026 and 2025, respectively, were as follows (in thousands of dollars):

	2026	2025
Federal sponsored support	\$ 74,269	\$ 70,558
Continuing education and executive programs	55,410	63,523
Publications	54,765	69,834
Leases	33,981	33,585
Tuition and fees	23,867	22,029
Gift receipts	20,513	6,850
Non-federal sponsored support	14,066	13,916
Other	67,607	88,323
TOTAL RECEIVABLES, NET	\$ 344,478	\$ 368,618

5. NOTES RECEIVABLE

Notes receivable are recorded initially at face value plus accrued interest, which approximates fair value. Notes receivable and related allowance for doubtful accounts, were as follows (in thousands of dollars):

	2026			2025		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Student loans:						
Government revolving	\$ 14,660	\$ 354	\$ 14,306	\$ 16,349	\$ 400	\$ 15,949
Institutional	74,178	1,895	72,283	73,479	1,684	71,795
Total student loans	\$ 88,838	\$ 2,249	\$ 86,589	\$ 89,828	\$ 2,084	\$ 87,744
Faculty and staff loans	347,620	179	347,441	347,677	179	347,498
Other loans	65,646	47,499	18,147	57,492	45,651	11,841
TOTAL	\$ 502,104	\$ 49,927	\$ 452,177	\$ 494,997	\$ 47,914	\$ 447,083

Government revolving loans are funded principally with federal advances to the University under the Perkins Loan, the Health Professions Student Loan (HPSL) and Loans for Disadvantaged Students in Health Professions (LDS) Programs. These advances totaled \$15.5 million and

\$18.4 million as of June 30, 2026 and 2025, respectively, and are included in "Deferred revenue and other liabilities" in the *Consolidated Balance Sheets*. During fiscal year 2018, the Perkins Loan Program ended and as a result the University began making required repayments to the government.

In fiscal year 2026, the University made the requested \$1.8 million repayment. Interest earned on the revolving and institutional loan programs is reinvested to support additional loans. The repayment and interest rate terms of the institutional loans vary considerably.

Faculty and staff notes receivable primarily consist of mortgage and educational loans. Mortgages include shared appreciation loans, loans that bear interest at the applicable federal rate, and interest-free loans. In addition, certain mortgages that bear interest at the current market rate or applicable federal rate may be subsidized for an initial period. The educational loans are primarily zero-interest loans.

The University assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral, and, where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the University reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on these reviews. The University considers the allowance at June 30, 2026 and 2025 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

6. PLEDGES RECEIVABLE

Unconditional promises to donate to the University in the future are initially recorded at fair value (pledge net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. The University's indicative 1- to 15-year taxable unsecured borrowing rate is used to discount pledges receivable at the end of the fiscal year they are received. Discounts of \$320.7 million and \$298.9 million for the years ended June 30, 2026 and 2025, respectively, were calculated using rates ranging from 3.5% to 5.0%.

Pledges receivable included in the financial statements as of June 30, 2026 and 2025 are expected to be realized as follows (in thousands of dollars):

	2026	2025
Within one year	\$ 1,289,719	\$ 1,035,531
Between one and five years	1,563,492	1,481,080
More than five years	366,561	423,995
Less: discount and allowance for uncollectible pledges	(407,851)	(387,120)
TOTAL PLEDGES RECEIVABLE, NET	\$ 2,811,921	\$ 2,553,486

Pledges receivable as of June 30, 2026 and 2025 have been designated for the following purposes (in thousands of dollars):

	2026	2025
General Operating Account balances:		
Gifts for current use	\$ 948,274	\$ 868,775
Non-federal sponsored awards	150,209	153,585
Construction and life income	330,739	271,035
Total General Operating Account balances	1,429,222	1,293,395
Endowment	1,382,699	1,260,091
TOTAL PLEDGES RECEIVABLE, NET	\$ 2,811,921	\$ 2,553,486

Because of uncertainties with regard to realizability and valuation, bequest intentions and other conditional promises are only recognized as assets if and when the specified conditions are met. Non-bequest conditional pledges totaled \$273.8 million and \$443.6 million as of June 30, 2026 and 2025, respectively.

7. FIXED ASSETS

Fixed assets are reported at cost or, if gifted, at fair value as of the date of the gift, net of accumulated depreciation. Depreciation is computed using the straight-line method

over the estimated useful lives of the assets. The major categories of fixed assets as of June 30, 2026 and 2025 are summarized as follows (in thousands of dollars):

	2026	2025	Estimated useful life (in years)
Research facilities	\$ 3,964,424	\$ 3,667,418	*
Classroom and office facilities	2,991,821	2,986,687	35
Housing facilities	2,938,224	2,722,211	35
Service facilities	1,253,624	1,217,277	35
Museums and assembly facilities	1,131,052	1,017,605	35
Libraries	588,465	575,978	35
Other facilities	456,670	449,436	35
Athletic facilities	350,862	334,204	35
Construction in progress	1,364,006	1,265,070	N/A
Land	1,023,655	1,025,245	N/A
Equipment	1,580,450	1,564,513	**
SUBTOTAL AT COST	17,643,253	16,825,644	
Less: accumulated depreciation	(7,674,644)	(7,274,514)	
FIXED ASSETS, NET	\$ 9,968,609	\$ 9,551,130	

* Estimated useful lives of components range from 10 to 45 years.

** Estimated useful lives of equipment range from 4 to 10 years.

Certain University facilities are subject to restrictions as to use, structural modifications, and ownership transfer. Included in the fixed asset balances are restricted facilities with a net book value of \$296.0 million and \$274.4 million as of June 30, 2026 and 2025, respectively.

The costs of research facilities are separated into the shell, roof, finishes, fixed equipment, and services. These components are separately depreciated.

Equipment includes general and scientific equipment, computers, software, furniture, and vehicles.

The University had asset retirement obligations related to future estimated environmental remediation costs of \$221.2 million and \$203.9 million as of June 30, 2026 and 2025, respectively. These are included in “Deferred revenue and other liabilities” in the *Consolidated Balance Sheets*.

Right-of-use assets from finance leases of \$134.9 million and \$146.4 million as of June 30, 2026 and 2025, respectively, are included in “Fixed assets, net” in the *Consolidated Balance Sheets*. Lease liabilities from finance leases of \$171.4 million and \$182.6 million as of June 30, 2026 and 2025, respectively, are included in “Deferred revenue and other liabilities” in the *Consolidated Balance Sheets*.

8. ENDOWMENT AND GENERAL OPERATING ACCOUNT NET ASSETS

The University's net assets consisted of the following as of June 30, 2026 and 2025 (in thousands of dollars):

	2026			2025		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
NATURE OF SPECIFIC NET ASSETS						
Perpetual endowment funds		\$ 10,917,300	\$ 10,917,300		\$ 10,399,125	\$ 10,399,125
Endowment funds and appreciation subject to distribution policy and appropriation		44,011,591	44,011,591		34,555,351	34,555,351
Endowment funds without restriction, board designated and subject to distribution policy	\$ 12,547,103		12,547,103	\$ 10,249,710		10,249,710
Pledge balances		1,382,699	1,382,699		1,260,091	1,260,091
Interests in trusts held by others		527,917	527,917		466,153	466,153
ENDOWMENT BEFORE DEFERRED NET INVESTMENT INCOME TAX LIABILITY	12,547,103	56,839,507	69,386,610	10,249,710	46,680,720	56,930,430
Deferred net investment income tax liability	(265,904)	(1,158,702)	(1,424,606)			
TOTAL ENDOWMENT	12,281,199	55,680,805	67,962,004	10,249,710	46,680,720	56,930,430
Operating	9,692,611		9,692,611	7,476,617		7,476,617
Unexpended contributions and endowment distributions		3,704,243	3,704,243		3,442,161	3,442,161
Student loan funds		91,237	91,237		91,203	91,203
TOTAL GENERAL OPERATING ACCOUNT	9,692,611	3,795,480	13,488,091	7,476,617	3,533,364	11,009,981
Split interest agreements (Note 9)		815,707	815,707		751,193	751,193
TOTAL NET ASSETS	\$ 21,973,810	\$ 60,291,992	\$ 82,265,802	\$ 17,726,327	\$ 50,965,277	\$ 68,691,604

Endowment

The University's endowment consists of approximately 15,000 separate funds established over many years for a wide variety of purposes. Endowment fund balances are classified and reported in accordance with donor specifications and state law. The endowment includes both donor-restricted endowment funds and funds functioning as endowment which are not subject to donor-imposed restrictions, however decisions to spend their principal require the approval of the Corporation and therefore are classified as Board-designated endowment funds. The majority of the endowment is invested in the GIA (see Note 3).

The University is also the beneficiary of certain irrevocable trusts held and administered by others. The estimated fair values of trust assets, which include the present values of expected future cash flows from outside trusts and the fair value of the underlying assets of perpetual trusts, are recognized as assets and increases in net assets when the required trust documentation is provided to the University.

The fair values of these trusts are provided by the external trustees and are adjusted annually by the University. These are included as Level 3 investments in the fair value hierarchy table in Note 3.

The University's endowment distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and generate a predictable stream of available income. Each fall, the Corporation approves the endowment distribution for the following fiscal year. Distribution from an underwater endowment fund (a fund below its historic dollar value) could continue in limited and defined circumstances under the University's endowment distribution policy. To the extent that the fair value of a donor restricted endowment fund falls below its historic dollar value it would be reported as a reduction of net assets with donor restrictions.

The endowment distribution is based in part on presumptive guidance from a formula that is intended to provide budgetary stability by smoothing the impact of annual investment gains and losses. The formula's inputs reflect expectations about long-term returns and inflation rates. The total endowment distribution made available for operations was \$2.6 billion and \$2.5 billion in fiscal years 2026 and 2025, respectively.

Each year the Corporation approves certain decapitalizations from the endowment to support strategic, mission-critical activities or objectives that are typically one-time or time-limited and therefore, are excluded from net operating surplus. These decapitalizations totaled \$47.9 million and \$47.8 million in fiscal years 2026 and 2025, respectively. These additional decapitalizations, in combination with the endowment distribution and the current year net investment income tax, resulted in an aggregate payout rate of 5.2% and 5.0% in fiscal years 2026 and 2025, respectively.

General operating account

The GOA consists of the general or current funds of the University as well as the assets and liabilities related to student and faculty loans and facilities. The GOA accepts, manages, and pays interest on reserves held by University departments; maintains working capital; makes internal loans; and arranges external financing. It is used to manage, control, and execute University financial transactions except for those related to investment activities conducted by HMC.

9. SPLIT INTEREST AGREEMENTS

Under split interest agreements, donors enter into trust or other arrangements with the University in which the University receives benefits that are shared with other beneficiaries and institutions. Split interest agreement (SIA) investment assets are invested primarily in the GIA as publicly-traded securities, a small segment is managed by an external advisor, and all are recorded in the “Investment portfolio, at fair value” in the University’s *Consolidated Balance Sheets*. Additional disclosures are included in *Note 3*. Associated liabilities are recorded at the present value of estimated future payments due to beneficiaries

and other institutions. These liabilities are calculated using the University’s current taxable unsecured borrowing rate of 4.9% and 4.6% as of June 30, 2026 and 2025, respectively. All split interest agreement net assets and the respective activity are reported within net assets with donor restrictions. Upon termination of a split interest agreement, the net assets are transferred to the GOA or endowment accordingly.

The changes in split interest agreement net assets for fiscal years 2026 and 2025 were as follows (in thousands of dollars):

	2026	2025
Investment return:		
Investment income	\$ 16,919	\$ 20,496
Realized and change in unrealized appreciation, net	300,053	132,071
Total investment return	316,972	152,567
Gifts (<i>Note 15</i>) ¹	7,557	5,260
Payments to annuitants	(65,634)	(67,977)
Transfers to endowment	(86,738)	(18,695)
Transfers between SIA and the GOA	(31,321)	(20,256)
Change in liabilities and other adjustments	(76,322)	29,671
NET CHANGE DURING THE YEAR	64,514	80,570
Total split interest agreement net assets, beginning of year	751,193	670,623
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, END OF YEAR	\$ 815,707	\$ 751,193

¹ Shown at net present value. The undiscounted value of these gifts was \$19,905 and \$13,655 for the years ended June 30, 2026 and 2025, respectively.

Split interest agreement net assets as of June 30, 2026 and 2025 consisted of the following (in thousands of dollars):

	2026	2025
Split interest agreement investments (<i>Note 3</i>)		
Charitable remainder trusts	\$ 1,080,464	\$ 1,082,942
Charitable lead trusts	123,409	106,592
Charitable gift annuities	330,258	281,872
Pooled income funds	211,636	179,857
Total split interest agreement investments ¹	1,745,767	1,651,263
Liabilities due under split interest agreements:		
Amounts due to beneficiaries	(895,701)	(786,348)
Amounts due to other institutions	(34,359)	(113,722)
Total liabilities due under split interest agreements	(930,060)	(900,070)
TOTAL SPLIT INTEREST AGREEMENT NET ASSETS, END OF YEAR	\$ 815,707	\$ 751,193

¹ For the year ended June 30, 2026, \$1,047,521 of SIA investments are held in the pooled general investment account and \$698,246 of SIA investments are held in the other investments outside the general investment account. For the year ended June 30, 2025, \$922,812 of SIA investments are held in the pooled general investment account and \$728,451 of SIA investments are held in the other investments outside the general investment account. Refer to *Note 3*.

10. BONDS AND NOTES PAYABLE

Bonds and notes payable as of June 30, 2026 and 2025 were as follows (in thousands of dollars):

	Fiscal year of issue	Fiscal year of final maturity ¹	Effective rate ²	Outstanding principal 2026 ³	Outstanding principal 2025 ³
TAX-EXEMPT BONDS:					
Variable-rate demand bonds:					
Series R – daily	2000-2006	2032	1.8%	\$ 48,950	\$ 65,400
Series Y – daily	2000	2036	1.9%	117,905	117,905
Total variable-rate bonds			1.9%	166,855	183,305
Fixed-rate bonds:					
Series 2016A	2017	2041	4.2%	488,410	1,046,965
Series 2020A	2020	2031	4.6%	288,900	346,680
Series 2022B	2022	2033	4.5%	207,830	207,830
Series 2024B	2024	2036	4.3%	734,995	734,995
Series 2025A	2025	2036	4.4%	434,080	434,080
Series 2026A	2026	2036	4.3%	696,175	
Total fixed-rate bonds			4.3%	2,850,390	2,770,550
TOTAL TAX-EXEMPT BONDS			4.2%	3,017,245	2,953,855
TAXABLE BONDS:					
Fixed-rate bonds:					
Series 2008A	2008	2039	5.6%	243,000	243,000
Series 2008D	2009	2039	6.5%	500,000	500,000
Series 2010C	2011	2041	4.9%	300,000	300,000
Series 2013A	2013	2038	3.6%	352,000	352,000
Series 2016B	2017	2057	3.2%	1,000,000	1,000,000
Series 2020B	2020	2051	2.5%	500,000	500,000
Series 2022A	2022	2053	3.8%	500,000	500,000
Series 2024A	2024	2035	4.6%	750,000	750,000
Series 2025B	2025	2036	5.1%	750,000	750,000
Total fixed-rate bonds			4.3%	4,895,000	4,895,000
TOTAL TAXABLE BONDS			4.3%	4,895,000	4,895,000
Notes payable	Various	Various	Various	88,170	86,871
Unamortized original issuance premium/discount, net				351,161	386,119
Unamortized bond issuance costs				(28,212)	(28,397)
TOTAL BONDS AND NOTES PAYABLE			4.3%	\$ 8,323,364	\$ 8,293,448

¹ The weighted average maturity of the portfolio on June 30, 2026 was 12.7 years.

² For fixed-rate bonds the effective rate is calculated as: coupon rate x (par value / book value*). For variable rate bonds and commercial paper the effective rate is the one-year average rate. Effective rates are exclusive of the Series Y interest rate exchange agreement, which would increase the overall portfolio rate by 0.01%.

* Book value = par value + unamortized original issuance premium - unamortized original issuance discount, underwriter's discount, and cost of issuance.

³ Par only—balances exclude original issuance premiums/discounts.

Interest expense related to bonds and notes payable, net of amortization and accretion, was \$303.3 million and \$262.7 million for fiscal 2026 and 2025, respectively. The interest expense in the *Consolidated Statement of Changes in Net Assets with General Operating Account Detail* includes additional components related to finance leases. Excluding unamortized discounts and premiums, unamortized underwriter's discount and unamortized cost of issuance, scheduled principal payments are (in thousands of dollars):

Fiscal year	Principal payments
2027	\$ 134,430
2028	114,806
2029	94,273
2030	550,253
2031	304,403
Thereafter	6,802,250
TOTAL PRINCIPAL PAYMENTS	\$ 8,000,415

In fiscal 2026, the University issued \$752.5 million (\$696.2 million par) of tax-exempt fixed-rate Series 2026A Bonds. Proceeds from the Series 2026A issue were used to refund a portion of the University's outstanding tax-exempt debt and will be used to fund or refinance capital spending on campus.

The University refunded \$530.5 million in principal of Series 2016A bonds with the Series 2026A issue. Additionally, in fiscal 2026, the University paid \$102.3 million of scheduled long-term principal maturities, amortized \$51.8 million of bond issuance premium (net of amortized fees and issuance discount), and wrote-off another \$37.9 million of issuance premium and fees related to the refunded Series 2016A bonds.

The University is rated Aaa by Moody's Ratings and AAA by S&P Global Ratings, which were both most recently re-affirmed in March 2026.

The University had one unsecured, revolving credit facility with a syndicate of banks totaling \$1.5 billion as of June 30, 2026 and 2025. The credit facility was renewed in November 2025 and split into two \$750 million tranches, one expiring in November 2028 and the other in November 2030. There was no outstanding drawn balance on the credit facility at June 30, 2026 and 2025.

The University had \$2.0 billion of taxable commercial paper available, with no amounts outstanding as of June 30, 2026 and 2025.

The University had \$1.0 billion of tax-exempt commercial paper available, with no amounts outstanding as of June 30, 2026 and 2025.

At June 30, 2026, the University had \$166.9 million of variable rate demand bonds outstanding with daily interest rate resets. In the event that the University receives notice of any optional tender on its variable rate demand bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a general obligation to purchase the bonds tendered with cash on hand.

The University had undrawn letters of credit totaling \$39.1 million and \$3.0 million as of June 30, 2026 and 2025, respectively, representing contingent obligations supporting various contractual and regulatory requirements.

11. EMPLOYEE BENEFITS

The University offers current employees a choice of health plans, a dental plan, short-term and long-term disability plans, life insurance, tuition assistance, and a variety of other benefits such as subsidized passes for public transportation and for Harvard athletic facilities. In addition, the University has retirement plans covering substantially all employees.

The University uses a measurement date of June 30 for its pension and postretirement health plans.

457(b) deferred compensation plan

The University offers a non-qualified deferred compensation plan under Internal Revenue Code 457(b) to a select group of employees. There is no University contribution related to the plan. The University has recorded both an asset and a liability related to the plan of \$350.6 million as of June 30, 2026 and \$296.9 million as of June 30, 2025; the assets are included in "Prepayments and other assets" and the liabilities are included in "Deferred revenue and other liabilities" on the University's *Consolidated Balance Sheets*.

Pension benefits

All eligible faculty members and staff are covered by retirement programs that include a defined benefit component, a defined contribution component, or a combination of the two.

In accordance with the Employee Retirement Income Security Act (ERISA) requirements, the University has established a tax-exempt trust to hold plan assets for its defined benefit pension plans. The fair value of the trust's assets was \$780.1 million and \$777.2 million as of June 30, 2026 and 2025, respectively. During fiscal years 2026 and 2025, the University made cash contributions to the defined benefit pension plan of \$17.4 million and \$15.4 million, respectively. The University recorded expenses for its defined contribution plans of \$192.2 million for fiscal year 2026 and \$197.1 million for fiscal year 2025.

Postretirement health benefits

The University provides postretirement health coverage and life insurance to substantially all of its employees and holds plan assets for its postretirement health plan in a trust.

The fair value of the trust's assets was \$772.8 million and \$641.1 million as of June 30, 2026 and 2025, respectively. Additionally, the University had internally designated and invested \$564.2 million and \$445.8 million in the GIA as of June 30, 2026 and 2025, respectively, to fund postretirement

health benefits and other benefits related costs. The fair value of the trust's assets and the internally designated investments exclude the related net investment income tax liability (see *Note 12*).

The following table sets forth the pension and postretirement plans' funded status that is reported in the *Consolidated Balance Sheets* as of June 30, 2026 and 2025 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2026	2025	2026	2025
Change in benefit obligation:				
Benefit obligation, beginning of year	\$ 804,832	\$ 819,365	\$ 762,441	\$ 838,980
Service cost	2,650	3,242	12,072	16,626
Interest cost	43,659	45,821	43,993	48,333
Plan participants' contributions			14,026	12,189
Gross benefits paid	(62,080)	(60,327)	(47,574)	(41,580)
Actuarial gain	(39,027)	(3,269)	(47,395)	(112,137)
Plan amendments			(75)	30
BENEFIT OBLIGATION, END OF YEAR¹	750,034	804,832	737,488	762,441
Change in plan assets:				
Fair value of plan assets, beginning of year	777,244	779,268	641,055	602,478
Actual return on plan assets	47,587	42,860	165,268	67,968
Employer contributions	17,351	15,443		
Plan participants' contributions			14,026	12,189
Gross benefits paid	(62,080)	(60,327)	(47,574)	(41,580)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	780,102	777,244	772,775	641,055
FUNDED STATUS²	\$ 30,068	\$ (27,588)	\$ 35,287	\$ (121,386)

¹ Measurement of the University's pension obligation including assumed salary increases (required by GAAP).

² These amounts totaling \$65,355 as of June 30, 2026 and (\$148,974) as of June 30, 2025 are included in the "Accrued Retirement Assets/(Obligations)" line in the Consolidated Balance Sheets.

The accumulated pension benefit obligation (ABO) is a measurement of the University's pension benefit obligation, based on past and present compensation levels and does not include the assumed salary increases as reflected in the table above. The ABO was \$717.0 million and \$752.1 million at June 30, 2026 and 2025, respectively. The funded status disclosed above has been prepared in accordance with pension accounting rules. When measured on an IRS funding basis, which informs the University's required cash contribution amount, the plan was overfunded at January 1, 2026.

During fiscal year 2026, the pension plan experienced an actuarial gain of \$39.0 million, largely attributable to asset gains and an increase in the discount rate. The postretirement health plan experienced an actuarial gain of \$47.4 million largely attributable to an increase in the discount rate and favorable claims experience, somewhat offset by a change in trend assumptions.

Net periodic benefit cost

Components of net periodic benefit cost and other amounts recognized in the *Consolidated Statements of Changes in Net Assets with General Operating Account Detail* are summarized as follows for the years ended June 30, 2026 and 2025 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2026	2025	2026	2025
Components of net periodic benefit cost:				
Operating				
Service cost	\$ 2,650	\$ 3,242	\$ 12,072	\$ 16,626
Total operating activity	2,650	3,242	12,072	16,626
Non-operating				
Interest cost	43,659	45,821	43,993	48,333
Expected return on plan assets	(38,448)	(41,190)	(51,887)	(48,765)
Amortization of:				
Actuarial loss/(gain)			(34,346)	(23,736)
Prior service cost/(credit)			(4,639)	(4,744)
Total non-operating activity ¹	5,211	4,631	(46,879)	(28,912)
Total net periodic benefit cost	7,861	7,873	(34,807)	(12,286)
Other amounts recognized in non-operating activity in net assets without donor restrictions:				
Current year net actuarial loss/(gain)	(48,166)	(4,939)	(160,776)	(131,341)
Plan amendments			(75)	30
Amortization of:				
Prior service (cost)/credit			4,639	4,744
Actuarial (loss)/gain			34,346	23,736
Total other amounts recognized in non-operating activity ¹	(48,166)	(4,939)	(121,866)	(102,831)
TOTAL RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS WITH GENERAL OPERATING ACCOUNT DETAIL	\$ (40,305)	\$ 2,934	\$ (156,673)	\$ (115,117)

¹ These amounts totaling \$(211,700) in fiscal year 2026 and \$(132,051) in fiscal year 2025 include gains and losses and other changes in the actuarially determined benefit obligations arising in the current period but that have not yet been reflected within net periodic benefit cost/(income) and are included in the "Change in Retirement Obligations" line in the Consolidated Statements of Changes in Net Assets with General Operating Account Detail.

Cumulative amounts recognized as non-operating changes in net assets without donor restrictions are summarized as follows for the years ended June 30, 2026 and 2025 (in thousands of dollars):

	Pension benefits		Postretirement health benefits	
	2026	2025	2026	2025
Net actuarial loss/(gain)	\$ (39,521)	\$ 8,645	\$ (667,580)	\$ (541,150)
Prior service cost/(credit)			(11,078)	(15,642)
CUMULATIVE AMOUNTS RECOGNIZED IN UNRESTRICTED NET ASSETS	\$ (39,521)	\$ 8,645	\$ (678,658)	\$ (556,792)

Other assumptions and health care cost trend rates used in determining the year-end obligation as well as the net periodic benefit cost of the pension and postretirement health plans are summarized as follows for fiscal years 2026 and 2025:

	Pension benefits		Postretirement health benefits	
	2026	2025	2026	2025
Weighted-average assumptions used to determine benefit obligation as of June 30:				
Discount rate	5.90%	5.70%	5.95%	5.80%
Compensation increase trend	3.50%	3.50%	3.50%	3.50%
Cash balance (or similar formula) interest crediting rate	5.25%	5.25%	N/A	N/A
Pension increases for in-payment benefits increase trend	0.13%	0.13%	N/A	N/A
Current health care cost trend rate:				
Pre-65	N/A	N/A	7.50%	6.75%
Post-65	N/A	N/A	7.00%	6.25%
EGWP	N/A	N/A	7.00%	6.00%
Ultimate health care cost trend rate:	N/A	N/A	5.00%	5.00%
Year of ultimate	N/A	N/A	2036	2029
Weighted-average assumptions used to determine net periodic benefit (income)/cost:				
Discount rate	5.70%	5.80%	5.80%	5.75%
Expected long-term rate of return on plan assets	5.40%	5.25%	8.30%	8.30%
Compensation increase trend:				
Initial rate	3.50%	5.00%	3.50%	5.00%
Ultimate rate	3.50%	3.50%	3.50%	3.50%
Year of ultimate	2026	2025	2029	2025
Health care cost trend rate:				
Initial rate Pre-65	N/A	N/A	6.75%	7.00%
Initial rate Post-65	N/A	N/A	6.25%	6.50%
EGWP	N/A	N/A	6.00%	N/A
Ultimate rate	N/A	N/A	5.00%	-26.01%
Year of ultimate	N/A	N/A	2029	2031

The expected return on pension plan assets is determined by utilizing an independent advisor's capital markets model, which takes into account the expected real return, before inflation, for each of the pension portfolio's asset classes, as well as the correlation of any one asset class to every other asset class. This model calculates the real returns and correlations and derives an expected real return for the entire portfolio, given the percentage weighting allocated to each asset class. After calculating the expected real return,

an assessment is made to accommodate the expected inflation rate for the forthcoming period. The final expected return on assets is the aggregate of the expected real return plus the expected inflation rate.

Plan assets

The actual asset allocation of the investment portfolio for the pension plan at June 30, 2026 and 2025, along with target allocations for June 30, 2027, is as follows:

	2027 Target	June 30, 2026	June 30, 2025
Asset allocation by category for pension plan:			
Fixed income securities	80-95%	84.5%	82.4%
Equity securities	5-15	14.5	17.3
Cash	0-5	1.0	0.3
TOTAL OF ASSET ALLOCATION CATEGORIES		100.0%	100.0%

The University's investment strategy for the pension portfolio is to manage the assets across a broad and diversified range of investment categories, both domestic and international. The objective is to achieve a risk-adjusted return that is in line with the long-term obligations that the University has to the pension plan beneficiaries. During

fiscal year 2026, the University increased its allocation to fixed income securities to manage the interest rate volatility associated with its pension obligations. The University expects to keep this strategy in future years. The investment program is also managed to comply with all ERISA regulations.

The following is a summary of the levels within the fair value hierarchy for the pension plan assets subject to fair value measurement as of June 30, 2026 and 2025 (in thousands of dollars):

	2026				2025	
	Level 1	Level 2	Level 3	NAV as practical expedient	Total	Total
PLAN ASSETS:						
Cash and short-term investments	\$ 20,901				\$ 20,901	\$ 15,682
Domestic equity				\$ 54,701	54,701	61,490
Foreign equity				56,768	56,768	70,290
Domestic fixed income				647,147	647,147	628,788
Hedge funds				15	15	18
Private equity				533	533	961
PLAN ASSETS SUBJECT TO FAIR VALUE LEVELING	\$ 20,901	\$ 0	\$ 0	\$ 759,164	\$ 780,065	\$ 777,229
Other assets not subject to fair value					37	15
TOTAL PLAN ASSETS					\$ 780,102	\$ 777,244

The postretirement health plan trust assets are commingled in the GIA under the guidelines prescribed by the HMC investment valuation policy, which is reviewed and approved by the HMC Board of Directors on an annual basis. Investments of the postretirement health plan are categorized within the fair-value hierarchy as Level 2 investments (see *Note 3*).

Expected future benefit payments

Employer contributions of \$13.8 million are expected for fiscal year 2027 to fund the pension benefit plan.

The following table summarizes expected benefit payments and subsidies for pension and other postretirement health benefits for the University (in thousands of dollars):

Fiscal year	Expected benefit payments	
	Pension	Postretirement health
2027	\$ 82,826	\$ 34,508
2028	75,304	38,214
2029	74,846	41,438
2030	73,743	44,637
2031	71,931	47,727
Thereafter	327,069	275,046

12. TAX

The Tax Cuts and Jobs Act (the “Act”), enacted on December 22, 2017, imposed a 1.4% excise tax on net investment income. In addition, it imposed a 21% excise tax on certain excess compensation paid to covered employees and required unrelated business taxable income to be calculated separately for each unrelated trade or business.

On July 4, 2025, the One Big Beautiful Bill Act (“OBBBA”) was enacted. The OBBBA amended the excise tax on the net investment income of certain private colleges and universities by establishing a tiered rate structure and expanding the activities to which the tax applies. The University is subject to the highest rate of 8%, effective

for fiscal year 2027. The effects of new tax legislation are recognized in the period enacted, regardless of the legislation’s effective date.

In accordance with GAAP, the University records both a current liability for excise tax incurred for net investment income tax payable within a year and a deferred tax liability attributable to unrealized net investment income. The deferred tax liability is measured using the tax rate expected to apply in the period the related gains are realized and is reclassified to the current liability as gains become realized. Actual amounts payable may differ from estimates due to future investment performance, timing of gain realization, and changes in applicable tax law.

Net investment income tax liabilities consisted of the following as of June 30, 2026 and 2025 (in thousands):

	2026		2025
	General Operating Account	Endowment	Total
Current net investment income tax on operating activity	\$ 3,000		\$ 3,000
Current net investment income tax on investment activity	26,408	\$ 180,894	\$ 207,302
Current net investment income tax liability ¹	29,408	180,894	210,302
Deferred net investment income tax liability ²	282,381	1,424,606	270,115
TOTAL NET INVESTMENT INCOME TAX LIABILITY³	\$ 311,789	\$ 1,605,500	\$ 1,917,289

¹ Current net investment income tax liability is measured using the 1.4% tax rate applicable to fiscal years 2026 and 2025 taxable net investment income. The current net investment income tax liability as of June 30, 2025 was paid during fiscal year 2026.

² Deferred net investment income tax liability is measured using the enacted tax rate expected to apply when the underlying unrealized gains are realized, which is 8.0% as of June 30, 2026 and 1.4% as of June 30, 2025.

³ As of June 30, 2025, the net investment tax liability was recorded entirely in the Consolidated Statements of Changes in Net Assets with General Operating Account Detail. Effective June 30, 2026, the portion of the tax attributable to the endowment was recorded in the Consolidated Statements of Changes in Net Assets of the Endowment.

13. STUDENT FINANCIAL AID

Financial aid granted to students in fiscal 2026 and 2025 is summarized as follows (in thousands of dollars):

	2026	2025
Scholarships and other student awards:		
Scholarships applied to student income ¹	\$ 579,673	\$ 575,950
Scholarships and other student awards paid directly to students	197,573	207,724
TOTAL SCHOLARSHIPS AND OTHER STUDENT AWARDS	\$ 777,246	\$ 783,674

¹ Includes \$265,929 and \$262,047 in fiscal 2026 and 2025, respectively, of undergraduate scholarships applied to student income.

In addition to scholarships and other student awards, the University supports students by providing student employment opportunities and student loans. Compensation paid to students under student employment programs, including work study and appointments, totaled \$100.9 million and \$114.7 million in fiscal years 2026 and

2025, respectively. Student loans made during the year totaled \$15.3 million and \$12.8 million in fiscal years 2026 and 2025, respectively. The University also acts as an agent for recipients of sponsor-provided financial aid. Agency financial aid totaled \$24.8 million and \$27.6 million in fiscal years 2026 and 2025, respectively.

14. SPONSORED SUPPORT

Total revenue from federal government sponsors and institutions that subcontract federally sponsored projects to the University was \$506.0 million and \$628.6 million in fiscal years 2026 and 2025, respectively. The University's principal source of federally sponsored funds is the Department of Health and Human Services. The University also has many non-federal sources of sponsored awards, including corporations, foundations, state and local governments, foreign governments, and research institutes.

Sponsored awards normally provide for the recovery of direct and indirect costs. Recovery of related indirect costs is generally recorded at fixed or predetermined rates negotiated with the federal government and other sponsors. Predetermined federal indirect cost rates have been established for the University Area and the Medical

School (including the School of Dental Medicine) and the T.H. Chan School of Public Health through fiscal year 2028. Funds received for federally sponsored activity are subject to audit.

Typically, federal sponsored revenue is recognized as expenditures are incurred and the University is reimbursed for the work performed. However, in fiscal year 2025, the federal government terminated grants and suspended funding on a substantial portion of the University's federal awards, reducing federal sponsored revenue by \$116.2 million for the fiscal year.

In April 2025, the University filed a lawsuit against various federal agencies, challenging the legality of the actions of the federal government. In September 2025, a federal

district court granted Harvard's motion for summary judgment, ruling that the government's freeze of research funding and termination of grants was unconstitutional and procedurally improper. Subsequent to this ruling, most terminated awards were reinstated and the University

received reimbursement for the majority of fiscal year 2025 expenditures incurred on these awards. The federal government appealed this ruling on December 18, 2025. A hearing on the appeal was held on October 5, 2026. No final ruling has been issued as of October 14, 2026.

15. GIFTS

Gifts are classified as net assets with or without restrictions in accordance with donor specifications.

Additionally, gifts are categorized by purpose as "Current use", "Non-federal sponsored grants", "Endowment funds", "Split interest agreements", or "Facilities and loan funds".

Gifts received for the year ended June 30, 2026 are summarized as follows (in thousands of dollars):

	Gifts received	Donor redesignations/ other changes	2026 Total
Current use	\$ 683,708	\$ (40,918)	\$ 642,790
Non-federal sponsored grants	233,027	(1,991)	231,036
Endowment funds	525,502	36,430	561,932
Split interest agreements ¹	7,557		7,557
Facilities and loan funds	106,616	(1,677)	104,939
TOTAL GIFTS	\$ 1,556,410	\$ (8,156)	\$ 1,548,254

¹ Shown at net present value. The undiscounted value of these gifts was \$19,905 for the year ended June 30, 2026.

Gifts received for the year ended June 30, 2025 are summarized as follows (in thousands of dollars):

	Gifts received	Donor redesignations/ other changes	2025 Total
Current use	\$ 626,814	\$ 2,066	\$ 628,880
Non-federal sponsored grants	242,589	(1,683)	240,906
Endowment funds	364,908	(1,088)	363,820
Split interest agreements ¹	5,260		5,260
Facilities and loan funds	62,881	(2,085)	60,796
TOTAL GIFTS	\$ 1,302,452	\$ (2,790)	\$ 1,299,662

¹ Shown at net present value. The undiscounted value of these gifts was \$13,655 for the year ended June 30, 2025.

16. OTHER REVENUE

The major components of other revenue for the years ended June 30, 2026 and 2025 were as follows (in thousands of dollars):

	2026	2025
Publications and royalties from copyrights	\$ 272,188	\$ 275,775
Rental and parking ¹	164,465	170,224
Services income	136,480	146,041
Health and clinic fees	80,356	77,169
Royalties from the commercialization of intellectual property ²	59,943	56,684
Sales income	29,811	30,124
Interest income	23,394	36,698
Other	77,670	56,492
TOTAL OTHER REVENUE	\$ 844,307	\$ 849,207

¹ The University is the lessor of space and facilities under operating leases, the income from which is included in rental and parking.

² Distributions to external parties under royalty agreements are recorded as "Services Purchased" in the Consolidated Statements of Changes in Net Assets with General Operating Account Detail.

17. OTHER EXPENSES

The major components of other expenses for the years ended June 30, 2026 and 2025 were as follows (in thousands of dollars):

	2026	2025
Subcontract expenses under sponsored projects	\$ 129,401	\$ 210,855
Travel	88,532	102,924
Advertising	67,877	65,569
Publishing	49,686	51,799
Taxes and fees ¹	44,859	41,295
Insurance	30,115	25,204
Postage	13,884	15,172
Fixed asset impairments	12,194	20,932
Other	70,659	87,499
TOTAL OTHER EXPENSES	\$ 507,207	\$ 621,249

¹ Includes real estate taxes, permit and license fees, payments in lieu of taxes, and net investment income tax related to operating activities.

18. FUNCTIONAL AND NATURAL CLASSIFICATION OF OPERATING EXPENSES

Operating expenses are allocated functionally on a direct basis. Operations and maintenance expenses are allocated based on square footage.

Operating expenses by functional classification for the year ended June 30, 2026 were as follows (in thousands of dollars):

	2026				
	Instruction and academic support	Research ¹	Student services and support	Institutional support and auxiliary	Total
Salaries and wages	\$ 1,397,405	\$ 317,836	\$ 183,028	\$ 756,110	\$ 2,654,379
Employee benefits	369,213	78,055	65,989	224,191	737,448
Services purchased	445,497	94,751	75,351	399,124	1,014,723
Depreciation	52,602	172,361	17,936	248,021	490,920
Space and occupancy	130,184	76,551	37,168	215,154	459,057
Supplies and equipment	77,435	48,124	45,300	97,127	267,986
Interest	29,964	65,533	18,421	198,870	312,788
Scholarships and other student awards			197,573		197,573
Other expense and overhead allocations	64,486	381,632	31,655	29,434	507,207
TOTAL EXPENSES	\$ 2,566,786	\$ 1,234,843	\$ 672,421	\$ 2,168,031	\$ 6,642,081

¹ The methodology used to allocate expenses for financial statement purposes is different than methodologies used for other purposes, such as governmental surveys.

Operating expenses by functional classification for the year ended June 30, 2025 were as follows (in thousands of dollars):

	2025				
	Instruction and academic support	Research ¹	Student services and support	Institutional support and auxiliary	Total
Salaries and wages	\$ 1,426,042	\$ 366,131	\$ 191,829	\$ 774,558	\$ 2,758,560
Employee benefits	372,707	88,747	67,927	226,514	755,895
Services purchased	471,446	112,692	81,536	312,314	977,988
Depreciation	46,542	162,939	17,798	231,752	459,031
Space and occupancy	143,870	77,311	36,720	196,320	454,221
Supplies and equipment	78,390	63,216	50,146	105,405	297,157
Interest	24,661	54,881	16,409	166,595	262,546
Scholarships and other student awards			207,724		207,724
Other expense and overhead allocations	44,864	491,772	37,543	47,070	621,249
TOTAL EXPENSES	\$ 2,608,522	\$ 1,417,689	\$ 707,632	\$ 2,060,528	\$ 6,794,371

¹ The methodology used to allocate expenses for financial statement purposes is different than methodologies used for other purposes, such as governmental surveys.

19. COMMITMENTS AND CONTINGENCIES

Lease commitments

The University is the lessee of equipment and space under operating (rental) and finance leases. The University determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The University categorizes leases with contractual terms longer than twelve months as either operating or finance. The University's leases generally have terms that range from one to five years for equipment and one to twenty years for property, with certain leases inclusive of renewal options if they are considered to be reasonably assured at lease commencement. Right of use assets and lease liabilities for operating leases are included in "Operating leases—right of use assets" and "Operating lease liabilities", respectively, in the *Consolidated Balance Sheets*. Finance lease right of use assets and lease liabilities are included in "Fixed assets, net" and "Deferred revenue and other liabilities", respectively, in the *Consolidated Balance Sheets*. Lease assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating and finance lease right of use assets and associated lease liabilities are recognized based on the present value of future minimum lease payments to be made over the expected lease term, using the collateralized incremental borrowing rate at the commencement date in determining the present value of future payments. Rent expense related to operating leases, including short-term leases and variable lease payments, was \$88.4 million and \$103.6 million in fiscal years 2026 and 2025, respectively.

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and finance lease liabilities (in thousands of dollars):

Fiscal year	Operating	Finance
2027	\$ 64,503	\$ 19,588
2028	63,908	21,109
2029	65,019	20,308
2030	63,906	17,183
2031	59,504	13,810
Thereafter	372,477	245,247
TOTAL LEASE PAYMENTS	689,317	337,245
Less: Imputed interest	(167,359)	(165,880)
PRESENT VALUE OF LEASE LIABILITIES	\$ 521,958	\$ 171,365

Weighted-average remaining lease term and discount rate for operating and finance leases were as follows:

	June 30, 2026
Weighted average remaining lease term	
Operating leases	14.8 YEARS
Finance leases	19.7 YEARS
Weighted average discount rate	
Operating leases	3.9%
Finance leases	4.7%

The University leases properties to customers under agreements that are classified as operating or sales-type leases. Property leased to others in operating lease arrangements is included in "Fixed assets, net" in the *Consolidated Balance Sheets*. Revenue is recognized to the extent that amounts are determined to be collectible.

Fixed asset-related commitments

The University has various commitments for capital projects involving construction and renovation of certain facilities, real estate acquisitions, and equipment purchases, for which the outstanding commitments totaled approximately \$617.0 million and \$1.0 billion as of June 30, 2026 and June 30, 2025, respectively.

Environmental remediation

The University is subject to laws and regulations concerning environmental remediation and has established reserves for potential obligations that management considers to be probable and for which reasonable estimates can be made. These estimates may change substantially depending on new information regarding the nature and extent of contamination, appropriate remediation technologies, and regulatory approvals. Costs of future environmental remediation have been discounted to their net present value. Management is not aware of any existing conditions that it believes are likely to have a material adverse effect on the University's financial position, changes in net assets, or cash flows.

General

The University is a defendant in various lawsuits arising from the normal course of its operations. Separately, the University is subject to multiple investigations and two lawsuits from the federal government. One of those suits was dismissed by a court ruling in August 2026; the federal government has appealed. The other suit is pending. The University has filed a lawsuit against the federal government relating to Harvard's research awards and a separate lawsuit relating to Harvard's international student programs. The University obtained favorable rulings in both lawsuits, and the cases are now on appeal. It is not possible to predict or determine the eventual outcome of these lawsuits and investigations. Management believes that the resolution of these proceedings will not have a material adverse effect on the University's financial position, changes in net assets, or cash flows. Additional information regarding the University's research award-related lawsuit against the federal government is included in *Note 14*.

The University has evaluated subsequent events through October 14, 2026, the date the financial statements were issued. The University has concluded that no material events have occurred that are not accounted for in the accompanying financial statements or disclosed in the accompanying notes.

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